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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

INTENSIVENESS FACTORS IN ECONOMIC GROWTH ANALYZED

Moscow PLANOVYE KHOZYAYSTVO in Russian No 4, Apr 81 pp 9-19

[Article by G. Sorokin, corresponding member of the USSR Academy of Sciences: "Intensive Economic Growth Factors"]

[Text] The basic directions of USSR economic and social development for 1981 to 1985 and for the period to 1990, adopted by the 26th CPSU Congress, call for further intensive development of the national economy and acceleration of this process in the 11th Five-Year Plan.

The historical trend in development of social production is intensification. It penetrates deeply into production and turnover and reduces production time, especially the working period, turnover time, as well as reproduction as a whole and inputs for it. Intensification leads to converting to continuous production to a greater extent each sector of industry and a number of sectors of agriculture and transportation.

At a meeting with voters on 22 February 1980, L. I. Brezhnev said: "In the seventies, we began to turn our entire economy to intensive development, raising efficiency and quality and stressing the end results of economic activity. In the eighties, we are bound to continue and complete this most important matter that is the core of the party's economic strategy."¹ Intensification and efficiency and quality of work are the primary and general conditions for solving the problems of building communism.

The basis of intensification is technical progress. Industrialization of all sectors of production and turnover, development of division of labor and cooperation for production, systems of machines and technological processes that connect the previously uncoordinated stages of production and accelerate the entire production process are assuming ever greater importance with the passage of time. Intensification gains strength "... by means of cooperation, but especially through division of labor, and even more by machines, when the continuous activity of the separate individual is linked to the activity ... of a unified whole in which he is only an element or which, as occurs in a mechanical factory, operates with the proper uniformity and indefatigability of the lifeless force of nature, of some iron mechanism."²

An increase in intensiveness, associated with technical progress, occurs when: more efficient means of production are employed; existing means of production are used

more fully; production is increased and the weight of intensive sectors in total production is raised, and even when within them there occurs only extensive expansion (increase in number of enterprises without technical improvement); materials of nature are exploited more intensely than previously.³

Intensification of reproduction of fixed capital and the social product is supplemented by intensification of reproduction and utilization of manpower. The simple increase in labor force numbers (extensive reproduction) is supplemented and then replaced by the growth in labor force skill and capability of functioning under the conditions of the conjugateness, complication and acceleration of production processes and under the conditions of swiftly expanding machine production. The historical trend in manpower utilization consists in the replacement of manual by machine labor. Displacement of manual labor and the rise in productivity that accompanies this characterizes with great certainty the whole process of intensification of production. "The whole progressive work of human technology consists precisely ... in the replacement of manual by machine labor."⁴ Machine labor in this case is a synonym for all technology leading to displacement of manual labor.

Socialism accelerates intensification of production and frees it from the antagonistic character that capitalism imparts to it. The burden of intensification is shifted to the shoulders of machines. Though the potential capabilities of the labor force for more intensive utilization are increasing, socialism raises it only to reasonable limits. It does not permit the extreme strenuousness of labor peculiar to capitalism that has a destructive effect on health, does not permit during rest restoration of physical and intellectual forces and reduces the human life span.⁶ Intensification under socialism is aimed at eliminating heavy manual labor and work under harmful conditions; purely physical jobs are being replaced by more attractive—intellectual jobs; increased inputs of labor per unit of time are compensated for by reducing the workday and creating the necessary conditions for rest.

In the process, it proceeds under the conditions of full employment and does not lead to the formation of an army of unemployed as under capitalism.

In contrast to capitalism, where intensification of production is always associated with upsetting the ecological balance, under socialism it is accompanied by measures to protect nature; living and working conditions are being brought more and more in conformance with the requirements of hygiene and improving the reproduction of the labor force.

Under socialism, intensification, implemented in humane forms, embraces all sectors and all work, while under capitalism there is a sharp difference in the degree of equipping labor between sectors and regions. Development of the social character of labor and socialization of production is accelerated. Following the merging of uncoordinated production flows into a common one and accelerating of production processes, major production collectives are formed, the contacts of workers and the commonality of their interests in production and distribution of the output produced are strengthened and new forms of labor discipline arise. Intensification of production raises the labor and social activeness of all taking part in it.

The historic mission of socialism is social and technical modernization of small-scale agricultural production and establishment of highly intensive large-scale

socialist agriculture. Intensification of agriculture is based on mechanization, chemicalization, breeding, hydrotechnical and other measures that technically revolutionize agricultural production as well as on socialization of it. "... The general policy of intensification of agricultural production is to implement measures for interfarm specialization based on concentration and extensive production cooperation of the kolkhozes and sovkhoses."⁷ Socialist reproduction to an ever greater degree is determined by intensive factors, as a consequence of which its efficiency increases. Intensification of all reproduction and raising its efficiency are the fundamental conditions for transforming the socialist economy into a communist one.

Another decisive factor in intensive development (after technical progress) is the improvement in organization of labor and management. Technology forms only potential factors of intensification. To make them a reality, organizational factors have to be put into effect. In the historical perspective, potential intensive factors and improvement in organization of labor and production evolve harmoniously, overcoming the contradictions that arise between them. The effect of both cited factors of intensiveness is manifested in growth in labor productivity. In practice it is important to bear in mind that growth in technical equipping is realized in raising labor productivity through its social organization. Improved labor organization may in some instances secure even higher rates of growth in labor productivity than its capital-labor ratio and conversely, the advantages of a high machine-worker ratio may be erased by poor organization of it.

An indispensable condition for growth of intensification is a balanced state of the economy and a progressive change in the structure of the national economy. In the 11th Five-Year Plan, managing the national economy will be aimed at completing the shift of the economy to intensive development.

The main criterion for intensification of production and utilization of manpower is growth in labor productivity. The intensification process therewith affects the use of both living and past labor which leads to a relative reduction in inputs of raw materials, fuel and materials, an increase in the yield of equipment and fixed production capital and an increase of greater output per worker per unit of time. A reduction in inputs of living and past labor per output unit under otherwise equal conditions serves as the criterion for intensification. A saving in past and living labor over the long run moves in one and the same direction. As a function of circumstances, rates of this saving may vary. Ultimately, in specific periods, saving of living labor agrees with the increased inputs of past labor. In the process, it is important that the total value of inputs of living and past labor declines.

The intensive and extensive forms of reproduction are differentiated as a function of what weight in the growth of production and in total production the intensive and extensive factors have. A predominance of intensive factors yields the intensive, while a predominance of extensive factors—the extensive form of reproduction. In practice both forms coexist, but the latter yields more and more to the former.

Intensification indicators may be divided into two types: structural (ratio of extensive and intensive factors, percentages of both factors) and dynamic (rates of growth of intensive factors). For example, the level of mechanization of labor and its growth, the share of intensive factors in output increase and its increase.

It is important to track the interrelation of intensification indicators; they often control each other. Thus, the capital-output and materials-output ratios must be studied simultaneously with productivity of living labor, since a reduction in total labor inputs (past and living) is important for society, while outlays for individual components may even be heterodirectional.

Of special importance are the indicators and ways of measuring the ratio of intensive and extensive factors in the development of the national economy. There are various ways of measuring the share of intensive factors in the increase in output. For example, suggestions are made to measure it on the basis of the "production function." But the technique for such calculations holds true only under the condition of an unchanged capital-labor ratio. But if the latter grows, and the output increase exceeds the value of the increase in number of workers, then it cannot be considered that the entire increase in output can be ascribed to extensive factors. This defect in the technique for calculating by the "production function" was expressed in the fact that for the period 1951 to 1970, the share of intensive factors in the increase in the final social product was 44.7 percent, although during the same period, productivity of social labor grew 4.3-fold while national income increased 5.3-fold.

The intensive factors of expanded reproduction (production growth) can be reliably measured by the output obtained through growth in labor productivity. Here is how the increase in industrial output is obtained through growth in labor productivity: in the First Five-Year Plan--51 percent of total increase, in the Second--79, in the Fifth--68, Sixth--72, Seventh--62, Eighth--73, in the Ninth--84 percent and during the years of the 10th Five-Year Plan-- 75 percent. In the increase in national income, the percentage of increase due to labor productivity was 58 percent in the Seventh Five-Year Plan, 87 in the Eighth, 80 percent in the Ninth and 75 percent for the four years of the 10th. Despite some fluctuations due to various causes, particularly due to the deterioration in some periods of the conditions of agricultural production, the trend of rapid growth of the intensive factors of reproduction can be tracked quite clearly. The First Five-Year Plan--a plan of forced industrialization and radical restructuring of the national economic structure--was a turning-point period, after which the intensive factors of the increase in gross production and national income became the sharply predominating.

It should be noted that almost all known articles are limited to measuring the share of intensive factors in the output increase, and not in the total output. Let us not, however, overestimate the increase values. In output relative to total amount of it, they are comparatively small (in recent years, about 4 percent). The percentage of intensive factors in total output and not only in the growth of it is expressed by other values.

There are suggestions to define the indicators for the degree of intensification by the ratio of "maximum" and "average" efficiency of production.⁸ "Average" efficiency is derived by the ratio of output and resources utilized, while "maximum"--on the basis of the ratio of increase in output and increase in resources. It is suggested that the ratio between "maximum" and "average" efficiency be considered the indicator of the degree of intensification of production. The ratio of the two cited types of efficiency is the ratio between output growth rates and resources growth rates. It will show the dynamics of intensification of production, but says nothing about the level of it and the percentage of intensive factors of reproduction.

The share of intensive and extensive factors in production of the total social product, in total national income and in the total amount of labor engaged in social production is legitimately defined, in our opinion, by the number of workers engaged in "machine" (mechanized) and manual labor. "Machine" (mechanized) labor is more productive and intensive, and the more people released from manual labor, the more intensive production becomes. Of course, in some cases manual labor may be more intensive than mechanized, but taking production as a whole and bearing in mind the historical trend in the evolution of production, the spreading of "machine" labor is equivalent to the spreading of intensive production. For the present, the percentage of manual labor and labor not "with machines" in USSR physical production is large, and more than half of all workers are engaged in it. This means that if the percentage of "machine" labor is taken as the indicator of intensification, the share of intensive factors in all production, and not its increase, still somewhat does not come up to one-half.

However, manual labor is less productive than labor "with machines." The level of intensification of production of output must be increased with regard to productivity of "machine labor." In any case, it is clear that the economic system of socialism has made great strides and left behind the age-old dependency of the welfare of society to a predominant degree on the physical efforts of man. This is a major characteristic of the material-technical base of developed socialism. Such is the path of all the rapidly developing socialist countries. Studies of the GDR economic system come to the conclusion that a shift to expanded reproduction primarily of the intensive type has been implemented in the country during the last 10 to 15 years.⁹ In schematically evaluating the evolution of intensification, primarily as applied to machine production, it can be said that originally intensification is carried out primarily by partial mechanization and mechanization of one or another industry (the first years of industrialization, the First Five-Year Plan). Then full mechanization, being extensively developed, with elements of automation appears on the scene. It represents the material-technical base of socialism. Finally, universal automation corresponds to the highest phase of communism (the highest efficiency of intensification is associated with it).

However, when specific studies are made, there is a lack of general indications on the replacement of manual labor by machine in the process of intensification. Machines differ. It is important to establish in each period the level and rates of development of technology, on the basis of which intensification is accomplished, and just how much they make it possible to solve pressing social and production problems.

Even under socialism there are economic limits on the use of machines, definable by their cost-effectiveness. K. Marx wrote: "If machines are considered only as a means of reducing the price of a product, then the limit on their use is determined by the fact that the labor their production is worth must be less than the labor that is replaced by their use."¹⁰ The limits on use of machines under capitalism are narrower than under socialism. Since under capitalism only inputs of capital (in particular only paid labor is considered an "input") are considered, inputs for machines ($c + v + m$) must be less than wages (v). Under socialism, the value of machines used ($c + v + m$) must be less than the total social inputs for labor ($v + m$), i.e. the limit on use of machines expands. If the norm of the surplus product is taken as 100 percent, as often done by K. Marx and V. I. Lenin, the economic limit on use of machines expands twofold under socialism.

It seems important to us to both practically and theoretically attempt to define the quantitative lower limit of use of machines (of fixed production capital) and how much it is sustained in a particular period. If the labor input associated with drawing in new productive capital and the labor savings due to the use of it are equal, the ratio of both values will be one, which will also be the lower limit of use of the fixed production capital (machines). When the value of fixed capital accounted for by a worker (a sort of "value of a workplace") is less than the national income that the workers replaced by it could have created during the entire time of service of the capital, the result of using the capital (machines) is raised higher than the lower limit.

By our calculations, in 1975, the lower limit on use of capital was exceeded for the national economy as a whole about 12-fold, for industry—8-fold and for agriculture—5-fold. These calculations are also affected by the structure of the capital (a large percentage of capital with long-term service raises the limit on use of it compared to the lower). With a decline in utilization of capital and an inadequate technical level of it, the economic limit on use of it is lowered.

However, society does not freely choose any limit on use of capital if only it exceeds the lower (equal to one). Each new life cycle of capital must exceed, to the extent of technical progress and improvement in organization of production, what has already been achieved, and not the lower limit. Otherwise, a slowdown in the rates of economic growth is inevitable.

In addition to economic limits on use of capital (machines), there are social limits of which observance under socialism is becoming ever more important. The social limits do not involve any barrier in the form of value of capital. They are defined entirely by the necessity of easing labor, eliminating unhealthy forms of it, displacing monotonous operations that stifle the creative nature of activity, etc. But such a social effect of using the means of production is expedient only on condition that an economic effect creatable by exceeding the lower limit of use of capital (machines) is derived.

A rapid buildup of the physical conditions of intensification is occurring in the USSR national economy. First of all, there should be noted the growth of fixed production capital, the electric power- and energy-worker ratio as well as the capital-labor ratio.

In the general view, the growth of the organic composition of production indicates intensive development based on more modern technology. K. Marx stated that there exist many such factors of intensification of labor that assume an increase in constant capital compared to variable.¹¹ V. I. Lenin considered the decrease in variable capital to constant an expression of technical progress.¹² In the process, under capitalism "... periods of technical transformations (when the ratio $\frac{v}{c}$ diminishes) yield to periods of progress on this technical basis (when the ratio $\frac{v}{c}$ is invariable, and in some cases may even be increased).¹³ In the Soviet Union, the growth of the organic structure of production is characterized by a change in the ratio of v to c or conversely c to v the following way.

Year	v:c	c:v
1959	0.51:1	1.9:1
1966	0.44:1	2.3:1
1972	0.39:1	2.6:1
1975	0.37:1	2.70:1
1978	0.37:1	2.70:1

In the USSR, intensification is now assuming great importance in connection with the exhaustion of very substantial extensive factors, and this trend will be maintained in the future. "... At the start of the eighties, we will have to emphasize the intensive factors of economic growth even more since the other factors are tapering sharply."¹⁴ Therefore, and also in connection with the fact that huge production resources have been built up in the country, the question on sources of economic growth is raised in a new fashion in the 11th Five-Year Plan. "The rational and economic use of natural, physical and labor resources is the decisive and most effective way of increasing the country's national wealth and rapidly increasing socialist accumulations and resources for consumption." This is stated in the Basic Directions for USSR Economic and Social Development for 1981-1985 and for the Period to 1990.¹⁵ While in the preceding period, additional manpower was extensively drawn into production, high rates of growth of accumulation were maintained and capital investment went primarily for construction of new enterprises, now in the 11th Five-Year Plan, the focus is shifting to utilization of available production capacity, existing manpower, etc. Conserving raw materials and fuel is of great importance. In the past, capital investment grew faster than national income. In the new five-year plan, rates of growth of national income are higher than those for capital investment, and the latter are aimed primarily at modernization and completion of projects already underway. The planned savings in fuel for 1981-1985 exceed more than fourfold the increase in oil production.

Appropriate to the contemporary stage, one may speak of two major directions of intensification: utilization of available production resources and accumulation. Associated with the first direction is the capability of deriving the needed effect in the shortest possible time. Intensification of utilization of available production resources embraces fuller utilization of fixed production capital, raw materials, fuel and manpower.

Intensive forms of reproduction are usually divided into capital-saving and capital-intensive depending on whether the amount of production capital per unit of output is reduced or increased. Both are observed in practice. It is important to establish what is prevailing and what trend is regular. Capital-intensiveness must be considered in the aggregate with labor-intensiveness. Long-term growth in capital-intensiveness may be adopted by society only on the condition that it is compensated for by faster reduction in labor-intensiveness and aggregate inputs for past and living labor per unit of output are reduced. Most progressive is that intensification by which labor productivity grows faster than the capital-labor ratio.

The dynamics of capital-intensiveness in the USSR economy have undergone considerable fluctuation. In the fifties, when replacement resources were drawn into turnover (available capacity was used more fully), the index of the physical amount of

National Income and Resources Applied

<u>Item</u>	<u>1970</u>	<u>1975</u>	<u>1978</u>
National income in constant prices, billions of rubles	289.9	382.7	443.5
Production capital applied, billions of rubles	857.0	1256.1	1515.8
fixed	531.0	805.0	1006.0
Wage fund in physical production (necessary product), billions of rubles	114.6	148.2	157.2
Production capital applied per ruble of national income, rubles	2.96	3.28	3.42
Wages per ruble of national income, rubles	0.40	0.39	0.35
Total	3.36	3.67	3.77
Social labor productivity index	100	125	140

national income overtook the production capital growth index. At the start of the sixties, capital intensiveness increases, however, in the Eighth Five-Year Plan (1966-1970), it, as a rule, did not increase. In the seventies, the output-capital ratio diminished. The table above shows how the capital and labor intensiveness of national income changed in the period 1971 to 1978.

From these approximate calculations, it is evident that the capital applied increased faster than national income. The growth in capital-output ratio did not cover the reduction in labor intensiveness. With a cost calculation, the picture is somewhat different. As is known, cost declines in direct proportion to labor productivity. It is natural to assume that the cost of the products making up the wage fund declined in proportion to the labor productivity index. Then the wages per ruble of national income will be not 35 kopecks, but 40 percent less, i.e. 21 kopecks. But in this case too the loss from the increase in capital intensiveness is not fully covered. On the whole, each ruble of national income in 1978 was 41 kopecks "more expensive" than that of 1970.

Let us repeat that these are approximate calculations. In particular, there is some incomparability of prices in them. It should also be borne in mind that although the amount of accumulations per unit of capital applied declined, the amount of monetary accumulations in 1978 increased by almost 70 billion rubles over that of 1970. It should be recognized that intensification of production proceeds slowly and does not ensure an increase in effectiveness to the proper extent, and reserves are not fully utilized. The availability of the latter is indicated by the data on USSR production being considerably higher than U.S. production of steel, chemical fertilizers, cement and other items, while in the end results of production—in national income—the USSR lags behind the United States by 33 percent.

The decline in labor productivity growth rates combined with the reduction in yield on fixed capital presents an unfavorable picture of the aggregate saving in labor in the course of development of production. The saving in labor from utilization of labor and physical resources of production does not only not increase relative to

the amount of these resources, but even declines absolutely. In 1970 in relation to 1961, it was more than 30 million conventional annual workers, in 1975—20 million in relation to 1970, and in 1980 in relation to 1975 will be 15.1 million people. It is clearly evident that the rates in reduction of manual labor are inadequate. In addition, the absolute amount of those engaged in manual labor is increasing. Social reproduction in the process of creating the material-technical base for communism must be intensified to a greater degree. Hence the task of mechanization and automation, acceleration of scientific and technical progress and overcoming the lag that has begun to show in the rates of introducing intensive methods into production. In the 11th Five-Year Plan, the task of improving the use of fixed production capital and raising labor productivity has been set. A component of the five-year plan will be the special program to displace manual labor.

Intensification of use of production capital must be considered by each group: fixed production capital and working physical capital. The reduction in yield on fixed production capital, if considered in constant prices, i.e. capital appreciation and product price changes are eliminated, can be explained by three main causes: the reduction in time of capital utilization, extended periods for assimilation of new capital and the reduction in the technical level of capital, when each unit of new capital, under otherwise equal conditions, is incapable of generating greater output than under the old capital.

Intensification of accumulation is of special importance for the characteristic of expanded reproduction. Through it occurs formation of new sectors of production and the introduction of more modern machines and technological systems. Therefore, it seems incorrect to state that socialist accumulation is the "sole source and mandatory condition for extensive growth of production," that "intensive growth in itself does not require accumulation of the means of production," and "accumulation of capital is an extensive method of developing productive forces."¹⁶

Accumulation, as a rule, leads to the creation of the most technically modern enterprises and, thus, is a powerful factor of intensification. Under socialism, production expands on a large scale and at high rates. In addition, at any given time, accumulation contradicts consumption. Under otherwise equal conditions, the less the capital of accumulation, the more the consumption. Therefore, strengthening the intensive sources for formation of accumulation, as well as utilization of this capital with greater competence are tasks of paramount importance.

The less living and past labor that will be expended per unit of accumulation, the greater will be, with the same amounts of accumulation, the use values representing its physical composition, i.e. with the same resources and more intensive use of them, the physical amount of accumulation increases. Such cases were analyzed by K. Marx and he came to the conclusion that with a constant and even declining value of additional capital, there is accelerated accumulation if that same value of constant capital is expressed in a greater quantity of means of production and variable capital draws in more workers. The amounts of reproduction expand physically. Additional labor, created by greater effort of manpower, can increase the substance of accumulation, i.e. surplus product and surplus value, without a corresponding increase in the constant part of capital.¹⁷ As a result of intensive reproduction of fixed capital, its replacement value is lowered and the productivity (competence) of each unit of production capacity is raised.

Just how great the possibilities are for applying intensive methods of accumulation is indicated by the fact that in industry (and industrial goods prevail in the composition of accumulation), labor productivity grew almost 2.5-fold during the period 1961 to 1978. Unfortunately, the labor productivity growth rates in the 10th Five-Year Plan did not permit increasing the formation of accumulation on an ever more intensive basis.

At the same time, an increase in the share of extensive factors of production can lead to a reduction in the rates and even an absolute decrease in the amounts of accumulation. For example, compared to the preceding year, the amount of accumulation declined in 1963, 1972, 1975 and 1979. The decline was 1.5 to 6 percent of the accumulation fund and was due primarily to unfavorable weather conditions and a decline in labor productivity in agriculture.

Growth in capital intensiveness of social production causes a decline in effectiveness of the accumulation process. Thus, with a steady norm for production accumulation in USSR national income, the slowdown in rates of growth for the latter determined a reduction in the economic effectiveness of the norm for production accumulation. The coefficient of this effectiveness (ratio of average annual rate of growth of the country's national income to the average annual norm for production accumulation) was on a five-year plan profile: 0.40 for 1961-1965, 0.48 for 1966-1970, 0.38 for 1971-1975. A further decline in it was observed for the period 1976 to 1979.

The accumulation fund is formed from national income. Amortization may be partially included in accumulation. A considerable sum of amortization is accumulated with a large amount of fixed production capital during its period of service. Use of part of amortization sums for accumulation becomes possible because the value of reproduction of capital declines during its service period; a difference is formed between the value on which amortization is charged and the value of reproduction of capital to the end of the amortization schedule. This effect brought by technical progress may be considered accumulation.

The reduction in replacement value of capital compared to the balance is an indicator of its intensive reproduction. It depends on labor productivity growth, progress in technology and a reduction of input for production of a unit of capital. At any given time, it may be more or less significant, but may never become the prime source of expanded reproduction and surplus product made superfluous for this purpose. But these are exactly the incorrect conclusions made by some authors. Yu. M. Ivanov believes that amortization has become the basic source of accumulation that surplus product used to be, and that in the 10th Five-Year Plan, with the absolute decline in the productive use of surplus product, the source of high rates of accumulation of fixed capital is amortization for renovation purposes.¹⁸

Such statements can lead to serious misunderstandings. The increase in the percentage of amortization in capital investment in industry in recent years was caused by the decline in rates of investment, the increase in the role of simple reproduction and the diversion of part of the surplus product created in industry to other sectors. All this is not synonymous with a decline in the role of surplus product in reproduction.

Amortization may never be the source of high rates of accumulation. This pertains to the 10th Five-Year Plan too. Conditions of production and reproduction in these years hardly improved much. Output production cost varied insignificantly from year to year and in a number of cases increased. Thus, the difference between the replacement and original value of capital, i.e. the amount making up the accumulated part of amortization, could not be impressive. Maintenance of significant rates of growth of fixed capital in the 10th Five-Year Plan is most probably due to the large capital inputs of past years, and not to amortization replacing surplus product as a source of accumulation.

The decline in usable surplus product in industry caused by redistribution did not mean the position was the same in the entire national economy. On the whole, surplus product usable for capital investment increased from 84 billion rubles in 1973 to 91.8 billion rubles in 1979. Debunking surplus product is unwarranted either theoretically or practically.

The accumulation fund is used for new construction and modernization, increasing physical working capital, creating reserves and some other purposes. The structure of accumulation is steady. About 60 to 66 percent of the accumulation fund is expended to increase fixed capital, including about 40 percent to increase production capital, and from 33 to 40 percent to increase physical working capital and reserves. Improving the physical composition of the accumulation fund (for example, introducing more technically modern and competent means of production) forms a potential possibility for raising the effectiveness of use of the accumulation fund. Intensification of the use of accumulation makes it possible to either manage with a lesser amount of it, or with the same accumulation, to expand production on a greater scale and increase the capital of sectors serving consumption by the population. The main part of accumulation goes to capital construction and improvement of it. This is the basic path for rationalization of use of the accumulation fund. The prevailing above norm increase in construction schedules, construction cost increases against plans and estimates, extended schedules for assimilation of new capacities and the growth in uncompleted construction are reducing the effectiveness of the accumulation fund and diverting means that could go to expansion of consumption. The following example indicates the reserves for intensification of accumulation. During the period 1973 to 1979, the accumulation fund increased by 12.3 billion rubles, but unfinished construction—by 29.9 billion rubles. "Unfinished projects" not only "absorbed" the increase in accumulation, but also took not a little from the main amount of accumulation.

Of great importance to intensification of utilization of the accumulation fund and of raising the effectiveness of capital investment is increasing the share of inputs for expansion and modernization of the enterprise, which is emphasized in the 11th Five-Year Plan. Of course, expansion and modernization have their limits; new sectors and production can be created only by construction.

As the facts show, socialist expanded reproduction is reproduction on an intensive basis. The transition to communism requires strengthening intensification in all sectors of economic construction, but the main means of raising intensification is technical progress and improving the organization of labor and production.

FOOTNOTES

1. PRAVDA, 23 February 1980.
2. K. Marx and F. Engels, "Works," Vol 47, p 398.
3. See: K. Marx and F. Engels, "Works," Vol 24, pp 193, 360, 399.
4. V. I. Lenin, "Complete Collection of Works," Vol 1, p 100.
5. Marx wrote: "... the more the working day is shortened, the more the intensiveness of labor may grow." K. Marx and F. Engels, "Works," Vol 23, p 539.
6. As M. Volkov notes, in a number of sectors of U.S. industry, the intensiveness of labor of the workers is 1.5- to 2-fold higher than in the USSR. Such intensiveness undermines the health of workers and leads to premature ageing. KOMMUNIST, No 5, 1973, p 70.
7. L. I. Brezhnev, "Leninski kurs" [By Lenin's Course], Vol 5, Moscow, Politizdat, 1976, p 19.
8. V. Khaynriks and G. Mayer, "Vosproizvodstvo. Effektivnost'. Rost" [Reproduction, Effectiveness, Growth], Moscow, "Progress", 1980, p 41.
9. Ibid., p 26.
10. K. Marx and F. Engels, "Works," Vol 23, p 404.
11. See: K. Marx and F. Engels, "Works," Vol 25, Part 1, pp 231-253.
12. See: V. I. Lenin, "Complete Collection of Works," Vol 1, p 78.
13. V. I. Lenin, "Complete Collection of Works," Vol 4, p 101.
14. L. I. Brezhnev, "By Lenin's Course," Vol 7, p 537.
15. PRAVDA, 5 March 1981.
16. Yu. M. Ivanov, "Correlation of Extensive and Intensive Processes in Expanded Reproduction" [Sootnosheniye ekstensivnykh i intensivnykh protsessov v raashirennoy vosproizvodstve], Moscow, "Ekonomika", 1980, pp 11, 27, 39.
17. See: K. Marx and F. Engels, "Works," Vol 23, pp 616-618.
18. YU. M. Ivanov, op. cit., pp 118, 120.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

INDUSTRIAL INFRASTRUCTURE EXAMINED

Moscow EKONOMICHESKAYA GAZETA in Russian No 18, Apr 81 p 15

[Article by V. Krasovskiy, doctor of economic sciences: "Production Infrastructure"]

[Text] The problem of infrastructure is an important problem of economic policy, national-economic planning and operational practice. The 26th CPSU Congress set a task of ensuring accelerated growth of sectors of the production and social-consumer infrastructure. In this connection, a number of questions arise relating to the developmental level of these sectors, effectiveness of the resources allocated for them and the role of intensification of production in the reproduction process and solution of tasks for the purpose of raising its efficiency.

General Conditions of Production

The term "infrastructure," which has made its appearance recently and is being increasingly frequently employed derives from K. Marx's thesis to the effect that a sector exists among the sectors of material production that is creating general conditions for the functioning of the rest of the sectors. K. Marx emphasized the importance of such general conditions and named a number of sectors and installations providing for them. Among them, first place is taken by transport, communications, canals, port facilities, that is to say installations that service production turnover within the framework of material production.

Transport, communications, material-technical supply and others providing general conditions of production of a subdivision of the national economy usually come together under the concept of "production infrastructure." Passenger transport, communications serving the population, trade and public-dining enterprises and other similar subdivisions come under the social-consumer infrastructure.

In the economic literature, elements of the infrastructure are frequently differently defined. Research is continuing on refining the conception and composition of infrastructure. In drawing points of view closer together, an important role was played by the All-Union Conference "Effectiveness of the Development of the Infrastructure in the USSR National Economy" held in Tallinn near the end of last year. At times there is to be observed an unjustified infatuation with the terms "infrastructure" and "infrastructure subdivisions." A high level of scientific precision and correctness in their use is required.

The designation of infrastructure sectors in planning and in operational practice naturally does not mean a rejection of the fundamental division of public production into subdivision I and subdivision II, nor does it lead to the forming of some kind of third subdivision or to "unification" of production and nonproduction spheres.

Specific Nature of Individual Components

Infrastructure problems have become by now quite important. Acute questions of operational practice have arisen which demand accelerated development of infrastructure subdivisions. This applies first of all to transport and development of warehousing. At the 26th Party Congress, this question received much attention. It was deemed advisable to work out a special purpose comprehensive program for transport and the foodstuffs program that took into consideration the need for a corresponding development of trade and warehousing in order to improve the state of preservation of products.

When examining infrastructure problems, it is useful to differentiate between arising requirements here and tasks in conformity with different levels of the country's economy. Thus within the framework of a unified national-economic complex, special importance is attached to tasks of a unified system of electric supply, gas supply, development of arterial transport and its cooperation in relation to transport centers.

Major infrastructure problems arise at regional-production complexes, especially in the solution of fuel and power problems. The development of a production and social-consumer infrastructure is a most important condition of successful economic development of the Baykal-Amur Main Line zone.

Contemporary infrastructure provision would make it possible to improve the functional efficiency of the agroindustrial complex. In an address to the 26th Party Congress L.I. Brezhnev emphasized: "... It would be difficult to picture an effective agroindustrial complex and the modern village without the development of a road network, reliable transport, elevators, storehouses, warehouses, refrigeration facilities and packing services. Disorder, the lag of any of these elements inevitably affects the quantity and quality of the end product."

On a more local level, tasks relating to the creation of an effective infrastructure have to be solved with the formation of industrial centers for which there is created a general system of servicing production operations and transport. Among these problems are to be found problems connected with the provision of a functioning city economy with its complex communications and various servicing subdivisions.

In the sphere of the national-economic infrastructure, our country serves as a model along a number of directions for many countries; significant successes have been attained in the development of this sphere. One can point to the high level of centralization of the power supply and interconnection of power capacities. Such a centralized power supply encompassing tremendous spatial areas does not exist in other countries. The fact that it is possible to transfer electric power within a framework of unified power systems over vast expanses from east to west and vice versa provides the opportunity to utilize daylight just through seasonal differences by taking advantage of differences in maximum-minimum loads and thus to save

billions of kilowatt-hours of electric power. It is worthwhile remembering that the power system in the United States has been largely lagging in terms of level of concentration.

There has also been created a powerful system of water-management structures. An arterial system has been created for railroad transport. Arterial railroad routes have broad-gauge track. Large-load cars, powerful diesel and electric locomotives operate on them. Moreover, railroad, river and air transport are being coordinated.

It would be timely to remind one of the existence of a well-organized infrastructure facility as the country's Unified System of Gas Supply. In 1980 the extent of gas pipelines reached 130,000 kilometers and by 1985 it should equal 180,000 kilometers. Further development of the system is founded on the use of new equipment of big individual capacity and high level of efficiency.

On Regional Scales

In the just started five-year plan, a great deal of attention is being given to the improvement of allocation of productive forces both in fully developed and in new regions. An important role is given in this to the creation of an efficient infrastructure. Its rational formation is being based on a systematic combination of regional and sectorial planning and on the development and realization of special-purpose comprehensive programs for the development of individual regions. Regional-production complexes and industrial centers are progressive forms of territorial organization of production. There are to be developed such regional-production complexes as the West-Siberian, Sayansk, Angara-Yenisey, Timano-Pechora, South-Yakut, Pavlodar-Ekibastuz, South-Tajik and others. Their establishment, as was pointed out at the 26th Party Congress, is entering a new stage characterized by the establishment and development of an entire complex of sectors as well as servicing production operations.

In this connection, particular urgency is to be attached to problems of rational organization of the operation of regional-production complexes, the overcoming of departmental isolation, which is particularly marked in the construction of servicing facilities. The creation of a unified road, port and warehousing operations and rational organization with consideration being given to the common interests of auxiliary production makes it possible to attain significant savings of capital investment and to reduce current outlays.

A significant portion of enterprises undergoing construction is being united into industrial centers. The realization of the advantages inherent in this form of organization promotes the development of so-called regional plans for the concentration of industrial and civil construction. Such plans are intended to provide a rational tie-in of plans of construction projects at a given site, the concentration of servicing facilities and services and the creation of most economical routes and communications.

Such a principle of construction has a favorable effect on the quality of construction work and the organization of a local industrial infrastructure and contributes to the improvement of the technological structure of enterprises. Analysis of more than 130 plans of industrial centers approved by Gosstroy VSSR showed, for example,

that the number of individual buildings and structures thanks to blocking could be reduced by 32 percent on the average.

In the Basic Directions adopted by the 26th Party Congress, the task was set of developing on a wider scale intersectorial cooperation of production operations located in one and the same region while not permitting unjustified duplication and parallelism in the creation by various departments of facilities of the production and non-production infrastructure.

Now there has already been formed a Commission on Questions of Development of the Western Siberian Petroleum-Gas Complex of the USSR Council of Ministers and also an Interdepartmental Regional Commission under Gosplan USSR which is domiciled at Tyumen'. These and other measures on improving regional planning and the management of regional-production complexes will aid in the rational organization of operational interrelations.

Much in the establishment of an effective production infrastructure depends on the active position of local soviets of people's deputies. The recently adopted decree on further expanding the role of the soviets in economic construction makes it possible for them to effectively exert an influence on raising the efficiency of operation of associations, enterprises and organizations.

Experience shows that the biggest results are attained there where use is made of modern technical resources and daring planning solutions in the creation of the production infrastructure.

It is possible to recall such an interesting solution to the problem of supply for Noril'sk. Noril'sk used to be cut off for a long period, for almost eight months of the year, from "material" bases, which created a mass of economic difficulties. It used to be necessary to bring in supplies for the entire year, to build tremendous warehouse facilities; it also used to be difficult to take out products, which could only be done during the short navigational period. Today Noril'sk is supplied with convoys of ships with the aid of icebreakers. The navigational period has been expanded to 120 days, to almost four months. The people of Noril'sk have also proposed to send an icebreaking fleet along the Yenisey and thus to take out products throughout the entire course of the winter. All this constitutes examples of creative solutions, technical and organizational innovations in improvement of the infrastructure.

Assessment of Effectiveness

One of the most important questions in study of the infrastructure is a correct assessment of its economic effectiveness. Today this question should be put from somewhat of a different angle than has been the case up to the present time.

Economic science and operational practice possess methods of calculating effectiveness of capital investment for individual sectors of production and facilities included in the infrastructure. Methods of calculation are well known, and significant practical experience has been accumulated in the determination of efficiency of transport and communications, material-technical supply facilities, power transmission lines, water-management and irrigation structures.

But in all existing methodologies and practical methods of computation, the sectorial principle is predominant. At the same time, the main result of infrastructure

sectors is realized not by them themselves but by servicing national-economic installations and by the national economy as a whole, that is, not by basic but by "associated" sectors. Furthermore, the "associated result" becomes in essence the main result. A certain basis exists for considering the intrasectorial result of the infrastructure as a concomitant result.

In computations of the national-economic result of the infrastructure, the main thing must be determination of economic losses that could be either eliminated or reduced for a given solution or developmental alternative.

For this reason, the question of the effectiveness of these or those installations cannot be solved on the basis of only the intrasectorial cost-accounting result. Such a result is actually not big, but the national-economic effectiveness could be significant. Here very exhaustive and complete calculations are required. Thus, the pool of trucks in the countryside under conditions of lack of roads goes out of order significantly more quickly, while with good roads, the service life of equipment is significantly extended.

At the Scientific Council for Economic Effectiveness of Fixed Capital, Capital Investment and New Equipment of the USSR Academy of Sciences, work is going on in the preparation of special instructions (according to standard methods) for determination of the effectiveness of capital investment in the infrastructure. At institutes belong to the Academy of Sciences and at sectorial scientific institutions, the range of studies on the subject of the infrastructure has been recently expanded. This work is conducted as a rule in close relation to economic practice and will contribute to the solution of the tasks of the 11th Five-Year Plan.

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PLANNING AND PLAN IMPLEMENTATION

PROPORTIONALITY CONCEPT APPLIED TO CURRENT PLAN

Moscow POLITICHESKOYE SAMOOBRAZOVANIYE in Russian No 4, Apr 81 pp 12-20

[Article by B. Plyshevskiy: "The Basic Proportions of the 11th Five-Year Plan"]

[Text] Further social progress of our society and implementation of the program adopted by the 26th CPSU Congress for enhancement of the people's welfare can only be based on economic progress and on profound changes in the material and technical base of the national economy. The economic strategy developed by the party is rooted in the premise that the development of the economic system in the stage of mature socialism must primarily be based on intensification of national production, its increased efficiency, and acceleration of scientific-technical progress. The task set up as a consequence is to provide for the dynamic and balanced development of the economics of the USSR as a unified national economic complex and to obtain proportionate growth of all its spheres and sectors as well as growth of the economic system of each Union republic.

The materials of the 26th CPSU Congress outlined the chief aspects of the solution of these problems in the forthcoming 10-year period. These solutions entail progressive changes in the structure of the national economy, improvement of the intersectorial and intrasectorial proportions, accelerated development of the industries which determine scientific-technical progress, the setting up of large territorial production complexes, all-round development of the agroindustrial complex and the sectors of the production and social infrastructure, and accelerated growth of consumer goods production.

The review report made to the 26th Party Congress by the CPSU Central Committee called attention to the importance of preparing and implementing an effective structural policy. "If we look ahead five and 10 years," said Comrade L. I. Brezhnev emphatically, "we cannot today forget that it is in these years that we will evolve and set up the national economic structure with which the country will enter the 21st century. This structure must embody the basic features and ideals of the new society; it must be in the vanguard of progress; and it must incorporate the integration of science and production and the indissoluble linking of creative thinking and creative labor."

The objective process of growth of the complexity of the economic links has given rise to the considerable attention being focused on the task of providing for proportional development of the national economy and strengthening of its balanced

structure in the practical activity of all the economic management organs and every production collective in fulfillment of the congress decisions. We know from the theory of management that the number of these links increases proportionately to the square of the increase of the production volume. If the production volume, for example, doubles then the number of production links between the various sectors of the economic system increases four-fold.

The intensification of the national distribution of labor and the complexity of the sectorial and territorial proportions make it necessary to maintain strict adherence to the planning discipline. Management and planning are tasked with greater requirements in respect to the formation of optimum proportions in the development of production. This entails, first of all, exploiting to the utmost the advantages of planned socialist economics, taking more fully into account the social requirements, reserves and potentialities for increasing production efficiency, and using effective instruments for achieving the proportions prescribed by the plans.

The solution of these problems is complicated by the lag in the development of a number of important industries, a lag which has manifested itself in recent years. As we know, the 10th Five-Year Plan assignments for increasing the production volumes and stepping up the production efficiency in some industries have not been carried out in full. The intensification of the national economy is being hindered by the fact that the mechanism of management and planning, the methods of economic operation, and the level of labor and operational discipline are all falling short of the present-day requirements. At the 26th CPSU Congress it was noted that the national economy is still plagued by bottlenecks and disproportions which resulted from both objective and subjective causes. This is preventing us from advancing at more rapid rates. The party is focusing special attention on such sectors as the metallurgical and fuel industry, machine building, capital construction, railroad transport, and production of agricultural products and consumer goods.

When we address the matter of objective causes, we must first of all cite the unfavorable weather conditions which affect agriculture. As in the previous years, unremitting attention was focused in the 10th Five-Year Plan on the development of this sector and the strengthening of its material and technical base. In comparison with the Ninth Five-Year Plan capital investments in agriculture increased 1.3-fold and comprised (for the entire complex of work) more than 27 percent of the total volume of capital investments in the national economy. A large quantity of agricultural equipment and mineral fertilizers was delivered to the kolkhozes and sovkhozes and irrigation and land improvement work was carried out on a vast scale.

But the return from these enormous outlays fluctuated greatly over the years because three of the last five years (1977, 1979 and 1980) were years of crop failures. Whereas the average yearly harvest of grain in the five-year-plan period was 205 million tons (the highest yield was obtained in 1978--237.4 million tons), in 1977 the harvest comprised 195.7 million tons, in 1979--179.2 million tons, and in 1980--189.2 million tons. This, of course, complicated the task of satisfying the population's growing requirements for food products and food and light industry's growing requirements for raw material.

Among the objective causes we must also cite a more rapid depletion than previously expected of some of the mineral resources, as, for example, the oil fields of the Volga region and the coal in the Donets Basin. Fulfillment of the assignments established by the five-year plan required accelerating the development of the new deposits in the eastern part of the country, which entailed large one-time outlays for the building of roads and other communications and for the construction of a base and housing and municipal services.

The development of some sectors of industry has been retarded by a decline in the quality of the raw material extracted. The increased ash content of the coal and a very substantial reduction in the metal content in the ores of the ferrous and most of the nonferrous metals are increasing the proportion of raw material which does not lend itself to the concentration process. Thus, the ore extracted in 1950 had an iron content of 50 percent, in 1960--44.5 percent, in 1970--37.3 percent, and in 1980--35.1 percent. The decline in the content of the basic mineral component is, of course, increasing the volume of extraction and processing of the mining mass and complicating the technological production flow systems in power engineering, metallurgy and chemistry. The development of the food and light industry was, to a certain degree, affected by the reduction of the sugar content in sugar beet and the reduction in the yield of cotton fiber from raw cotton.

However, the chief reason for the continued existence of bottlenecks and deficiencies in the national economy is the fact that in the matter of further enhancement of production efficiency we have not succeeded in moving forward, as it was programmed by the five-year plan. At the 26th Party Congress Comrade L. I. Brezhnev pointed out that "we have still not fully overcome the forces of inertia, tradition and custom which evolved in the period when not so much the qualitative but the quantitative aspect of the matter came to the forefront."

The 11th Five-Year Plan represents a critical stage in the fulfillment of the long-range tasks of the party's economic strategy. The chief task of this policy is to provide for the further enhancement of the welfare of the Soviet people on the basis of a stable and consistent development of the national economy, acceleration of scientific-technical progress, and steering of the economic system on to an intensive path of development; also, a more efficient use of the country's production potential, a thoroughgoing program of economy in the use of all types of resources, and improvement of the quality of the work. Also defined in accordance with this were the directions for achieving a balanced economic growth.

The characteristic feature of the period which is underway is that in comparison with the 1970's further advance of the economic system and further enhancement of the people's welfare must be achieved in the context of a considerably lesser increase of the number of workers and the volume of fuel, energy and raw material resources and capital investments involved in economic turnover.

In the 11th Five-Year Plan the increase of labor resources will be less than one-third of the previous figure in absolute terms. As the demographic forecasts indicate, the slowdown in growth of the labor forces will continue up to the close of the 1980's. In the 10th Five-Year Plan extraction of petroleum (including gas concentrate) increased by 112 million tons, while in the 11th Five-Year Plan the increase of this very important source of fuel and raw material for the chemical

industry will be 17-42 million tons. In the ensuing five-year period capital investments in the national economy are targeted for a 12-15 percent increase as against 29 percent in the preceding five-year period. The rates of growth of the output of industry, agriculture and national income are planned within limits the average value of which is equal to or even higher than that achieved during the last five years.

Special attention is therefore being given to the making of major progressive changes in the structure of the national economy, changes which are expected to be conducive to a reduction in the costs incurred in the production process, an increase in production efficiency, and acceleration of the process of switching the economic system to a primarily intensive path of development.

Improvement of the national economic proportions will be manifested primarily in an increase from 75.3 percent in 1980 to 77.3 percent in 1985 in the consumption fund share of the national income. In accordance with the party line calling for maximum utilization of the available resources for enhancing the people's welfare, nine-tenths of the increase of national income will be directed to precisely these objectives. A stable and balanced expansion of production with a reduced proportion of the accumulation fund in the national income is to be achieved primarily by more effective use of the capital investments and other outlays connected with the development of production.

In the 10th Five-Year Plan the rates of growth of the industry sectors which produce the means of production exceeded to a considerable degree the rates of development of the industries which produce goods for the population. At the 26th Party Congress it was noted that industry's potential for expanding the production of consumer goods is clearly not being adequately exploited. To correct the situation which has evolved the basic directions for the new five-year plan include the task of accelerating the rates of development of Group B--they will exceed to some extent the rates of growth of Group A. It is planned to increase production of the output of the Group B sectors by 27-29 percent whereas the increase in the past five-year period was 21 percent. Participating in the increase of production of consumer goods will be virtually all of the sectors of industry, including heavy industry.

The 26th Party Congress has assigned important tasks in respect to improvement of the sectorial and intersectorial proportions. The plan calls for acceleration of the rates of development of the industries which determine the progressive structural changes in the national economy. Also, the development of all the industries and the work of every production collective are being oriented for the most economical methods of providing for the growing national requirements.

In the period which lies ahead the efforts to increase the production volumes must be reinforced to an even greater degree by measures which will enable us to improve the use of the production potential on hand and to provide for a closer coordination between the extraction and the processing industry and between the sectorial and territorial proportions. The party sees in this an effective instrumentality for the balanced development of production on the basis of application of the achievements of scientific-technical progress; also, an important springboard for increasing the effectiveness and quality of all our work.

Consistent implementation of the party line for efficient utilization of the material, labor and financial resources is the most important requirement for improving the balanced structure of the national economy and for establishing the necessary reserves. This endeavor reflects the comprehensiveness of the approach to solution of the problems involved in achieving a balanced development of each of the groups of interrelated industries: fuel and energy, production of structural materials, the agroindustrial complex, and the various types of transport.

Recent years have shown a definite lack of coordination in the development of the extractive and processing sectors of industry. The new five-year plan calls for the achievement of greater harmony in the growth of these sectors. The measures being undertaken for this purpose are in two directions. First of all, we are strengthening the raw material base for ferrous and nonferrous metallurgy and the chemical and other sectors of industry. In addition to the development of new deposits of raw material and fuel, we are planning for this purpose a fuller recovery of the useful components derived from ores. We will increase the comprehensiveness of the processing of raw materials and we will make increased use of local raw materials and materials. At the same time, we must step up the work of economizing on the types of raw materials and materials in short supply in the processing industries and we must make more extensive use of resource-economizing techniques and low-waste and waste-free technology. Particular attention is being focused on strengthening of the "upper stages" of the pertinent sectors: the so-called fourth reprocessing in metallurgy, the finishing work in construction, and the final production processes in light industry.

In the 11th Five-Year Plan there is a 20-24 percent increase in the production of electric power. In the European part of the country it is planned to obtain this increase mainly in the atomic and electric power stations. On the rivers of Siberia, the Far East and Central Asia we will build large hydrostations and the accelerated construction of thermal stations will enable us to make effective use of inexpensive coal from the Ekibastuz and Kansk-Achinsk basins as well as natural and oil-well gas from the beds of Western Siberia.

In the fuel industry preeminent development is characterizing the extraction of gas and oil in the regions of Western Siberia, Kazakhstan and the northern part of European USSR and the mining of coal by the open-pit method in the Kansk-Achinsk and Ekibastuz fuel and energy complexes. The eastern and northern regions will furnish practically all of the increase of extraction of fuel, compensating for the output which was furnished by the now depleted deposits. For the five-year period as a whole extraction of oil will increase by 3-7 percent, gas by 38-47 percent, and coal by 7-12 percent.

The most important direction in the use of fuel and energy resources will be the cutting down of consumption of petroleum and petroleum products as boiler and furnace fuel. The increased extraction of gas will enable us to begin pressing forward more actively in replacing oil as a fuel and in cutting down consumption of mazut. All this will help to shift the economic system to an energy-conserving path of development. A great deal of attention is being focused on more extensive use in economic turnover of secondary materials and fuel and energy resources as well as concomitant products.

In the structural materials complex accelerated rates are planned for development of production of economical types of rolled ferrous metals, aluminum, synthetic resins, and plastic, composition materials, and bonded wood construction materials. The proportion of progressive structural materials in the total production of such materials will increase not less than 1.5-fold.

The chief direction for further development of ferrous metallurgy will be improvement of the quality and expansion of the production of effective types of metal products. Thus, in increasing by 14-17 percent the five-year plan production of rolled stock, we will increase three-fold the production of powdered metal and 1.5-2.5-fold the production of cold rolled sheet, and sectional and high-precision shaped rolled stock. The output of the chemical and petrochemical industry will have to be increased by 30-33 percent, including 65-72 percent for production of synthetic resins and plastic. In the building materials industry a 17-19 percent increase in the production of construction structures will result in the pre-eminent development of the production of the items which provide for a reduction in the metal intensiveness, cost and labor intensiveness of construction, a reduction in the weight of the buildings and structures, and an increase in their heat reflecting capacity.

The production of chip board will increase approximately 1.5-fold, wood fiber-board and cardboard 1.3-1.5-fold, cellulose 1.3-1.4 fold, and paper by 20-25 percent.

To accelerate technical progress provision was made in the national economy for accelerated development of production of the implements of labor. In the five-year period the output of machine-building and metal processing production will increase not less than 1.4-fold. In the sectors of machine building top-priority attention is being given to increasing production of the equipment, machine systems, and instruments which further accomplishment of the tasks of implementation of a unified technical policy in the context of intensification of production. This pertains primarily to the production of highly effective equipment and the increase of the unit capacities and productivity of the machines and equipment. For example, in the five-year period the productivity of metal-cutting machine tools, forging and pressing machines, and casting and woodworking equipment will increase not less than 1.3-1.4-fold. The efficiency, reliability and durability of the machines and equipment will be stepped up.

Technical progress is a powerful means of maintaining the interrelationships in the development of the industries which produce and use the tools of labor. Optimum balance in the production and use of these tools will be achieved primarily through expansion of the production of the more economical and productive systems, of machines and types of equipment for the technical retooling of the basic sectors of industry--electric power engineering, metallurgy, chemistry, and machine-building as well as transport and communications and construction. At the same time, a great deal of attention is being focused on efficient use of the available supply of equipment; increasing the coefficient of its shift operation (particularly by improving the supply of raw material and materials for the enterprises); bringing into harmony the labor resources on and the number of working spaces on hand and being set up in industry; improvement of the organization of repair of equipment; and improvement of the supplying of spare parts for this equipment. To make fuller use of the production capacities we will expand the training of skilled workers and implement additional measures to reduce personnel turnover.

Proportionality in the economic system is in many respects determined by the development of agriculture and the industries associated with it. To provide the country with a reliable supply of food and raw material we are making provision for a comprehensive development of the agroindustrial and foodstuff complex. This complex embraces three spheres: the heavy industry sectors which serve industry (agricultural machine-building and the chemical industry), and agricultural production itself with its sectors dealing with procurement, storage, transport and processing of the agricultural output.

The development of the first of these spheres of the agroindustrial complex will enable us to extend the policy line to all-round intensification of agricultural production and to strengthen its material and technical base on the basis of further mechanization of production and chemicalization and irrigation of the land. The tractor and agricultural machine-building enterprises will increase delivery to the kolkhozes and sovkhozes of the high-powered tractors, combines and sets of highly productive agricultural machines needed for the introduction of industrial technology in farming and preparation and insertion in the soil of solid and liquid mineral fertilizers and chemical means of safeguarding plants. The specialized machine-building developed in the mid-1970's for livestock breeding and fodder production will expand the production of suitable sets of highly effective machines and equipment.

Delivery of mineral fertilizers by the chemical industry will in 1985 be brought up to not less than 115 million tons in conventional units (as against 82 million tons in 1980), chemical fodder supplements to 5 million tons (2.7 million tons in 1980), and highly effective plant protection means to 650-680,000 tons. Also assigned will be the task of providing for a balanced development of the production of mineral fertilizers and chemical plant protection means. In the five-year period production of output of the microbiological industry will increase 1.8-1.9-fold.

The average yearly volume of production in agriculture will increase by 12-14 percent. In farming the most important tasks are still all-round improvement of the fertility of the soil and increased productivity aimed at further increase of the production of grain, fodders and their output. The key front in the rural areas will be animal husbandry. The Congress defined as an urgent task the accomplishment of a fundamental improvement of fodder production and the implementation of a comprehensive program for the establishment of a dependable and balanced fodder base for livestock breeding. Fodder production will become a specialized industry on the kolkhozes and sovkhozes.

To improve the conditions of storage of agricultural output and to reduce the losses incurred, the allotment of capital investments will be 1.6 times greater than in the preceding five-year period. The plans call for putting into operation grain elevators with an overall capacity of 20 million tons with first priority for this given to the basic grain regions. Strengthening of the third sphere of the agroindustrial complex will enable us to improve the processing of agricultural output and the facilities for getting it to the consumer. In the five-year period production of output by the food industry sectors will increase by 23-26 percent. Accelerated rates are planned for the development of production of products and semi-manufactures which are ready for consumption.

Improvement of capital construction is expected to become an effective means of intensifying the proportionality of the development of the national economy. A characteristic feature of the five-year plan is all-out concentration of manpower for the swiftest possible completion of construction and starting up of the enterprises which are capable of obtaining the largest production increase and unraveling the bottlenecks. In the interests of more effective use of the available resources, the capital investments will be directed primarily to remodeling and stepping up the technical level of the existing enterprises which possess particularly great potential for reducing the production costs and cutting down the time for putting new production capacities into operation. The funds allotted for these purposes are recovered on the average three times as fast as when comparable production capacities are obtained by new construction; also, the manpower requirements are less. New enterprises will be constructed primarily in the industries and production units which have the greatest capability to make progressive changes in the structure of the economic system and in the fuel and raw material and extraction industries, which possess limited potential for increasing output in the existing production capacities and consequently require the development of new deposits.

Improvement of the structure of the national economy is not possible without an improvement of the work of the transport system which links together production and consumption, the enterprises of the various industries, and all the regions of the country. Accelerated rates are planned for the development of the pipe-line, river and motor transport in general use. Expansion of the network of pipelines will enable us to relieve the railroads of some of their load. Where it is feasible, shipment of freight will be to the maximum possible extent switched to river transport. This will be increasingly important in freight shipments in the regions of Siberia, the Far East, and the North. The appropriations for the development of railroad transport are being increased by more than 30 percent. This will enable us to modernize the rolling stock and improve the track maintenance. It is important to concentrate our efforts on the development of the station tracks--they provide an economical and rapid means of increasing the carrying capacity of the roads. We also plan to accelerate the development of a support network of motor highways and to build good roads on a large scale in the rural areas.

For our country with its vast territory and the constant shifting of industry to new sources of fuel and raw material, more and more urgency characterizes the problems entailed in improving the territorial proportions. The 11th Five-Year Plan sets forth the task of improving the distribution of the productive forces for the purpose of increasing the efficiency of national production on the basis of further specialization and proportional development of the economy of the Union republics and economic regions in the country's unified national economic complex.

It is planned to accelerate the buildup of the economic potential of the eastern regions. The 11th Five-Year Plan will provide for continued accomplishment of the large-scale work projects for exploitation of the natural resources, development of the fuel and energy and raw material bases in Siberia and Kazakhstan, and concentration of the power-consuming production projects in these regions.

In the republics of Central Asia, which will in the forthcoming period embrace the overwhelming proportion of the increase of able-bodied population, greater attention is being focused on a fuller use of the available labor and natural resources,

fuller exploitation of the capacities previously evolved, and development in these areas of facilities which will best answer the requirements for accomplishment of the tasks of the labor-intensive sectors of agriculture, light industry and machine building.

In the European part of the country and in the Urals the growth of industry will take place mainly by virtue of a better utilization of the production potential which has been developed, and by remodeling and technical retooling of the existing enterprises without increasing the number of workers. We are discontinuing the deployment in the European regions of new power-consuming and water-consuming industries and expansion of the existing one.

For effective coordination of the sector and territorial proportions, we are making provision for further development of the territorial production complexes, especially in the newly-developed regions.

As a result of implementation of the planned progressive changes in the structure of national production we will in the 11th Five-Year Plan take another step in the development of national economic proportions which are suitable for the conditions and economic system requirements of a mature socialist society.

Along with in-depth justification of the tasks assigned by the party, the documents of the 26th Party Congress delineate the ways of accomplishing these tasks. The "Basic Directions" segment, in particular, devotes a special section to "Improving the Management and Stepping up the Level of Operation in All the Links of the Economic System." This section sets forth the tasks of the planning and administrative organs in the various stages of management for implementation of the July 1979 CPSU Central Committee and USSR Council of Ministers decree on "Improving Planning and Intensifying the Impact of the Economic Mechanism in Increasing Production Efficiency and Work Quality." An important position is also assigned to improvement of the methods employed to achieve proportionality of development of the national economy--primarily, the establishment of stability in the planning assignments and reciprocal harmonization and coordination in respect to them.

The previous five-year plans set forth, with a breakdown by years, a relatively short list of value and physical indicators. The assignments for the ministries, associations and enterprises were established chiefly in the yearly plans and, as a rule, the indicators for them differed sharply from the yearly projections of the five-year plan. This procedure made it difficult to maintain the necessary proportionality in the national economy and also complicated the task of establishing long-term economic links and concluding long-term contracts.

The new five-year plan shifts over to the establishment of national economic, sectorial and territorial proportions, primarily based on the stable planned assignments set for the five-year plan as a whole and for the years it comprises. The compilation of current yearly plans will be based on the yearly assignments of the five-year plan made more concrete in light of the requirements of the national economy and the status of fulfillment of the prescribed indicators. The future yearly assignments for the associations and enterprises will be determined by the ministries in such a way that the indicators for them will be no lower than the five-year plan assignments for the corresponding year.

To insure the stability of the assignments for the years of the five-year plan, it is essential to significantly escalate the level of the planning and administrative work and to step up the responsibility of the production collectives for fulfillment of the prescribed indicators, especially with respect to putting the production capacities and fixed capital into operation and with respect to production of the most important types of output of industry expressed in physical terms; it is also essential to strengthen planning discipline.

To achieve a greater degree of balance in the planned assignments for the years of the five-year plan we have made a considerable increase in the number of balance sheets of material resources compiled in the preparation of the five-year plan and in the number of plans for their distribution. Beginning with the 11th Five-Year Plan such balance sheets are being compiled for more than 400 types of output; for 331 of these types distribution plans are being compiled for the basic holders of capital. Specified in conjunction with this is a products list for which balance sheets and distribution plans are compiled by Gosstat USSR, the ministries and departments, and the councils of ministers of the Union republics.

As experience in the work of fulfillment of the plans indicates, it is impossible in preparing these plans to provide in detail for all the factors which will affect the process of execution of the prescribed assignments. It is impossible, for example, to predict exactly the weather conditions, the variations in fulfillment of the planned assignments by the various industries and production collectives, the changed circumstances in foreign economic relations, especially the competition in the world capitalist market, etc. To achieve expedient elimination of the discrepancies stemming from these circumstances, it is necessary to have adequate reserves of material resources--fuel, metal and the most important types of raw material and equipment. The task of accumulating such reserves is taken into account when preparing the material balance sheets.

The process of socialist reproduction is carried out as a unity of the material-physical and value forms of national product. Improvement of the planning is therefore predicated on further development of the methods of planning the value proportions and coordination of them with the assignments for the volumes and structure of output production in physical terms; also, with the indicators for production efficiency. The new elements in this regard are two vitally important positions in the current five-year plan--expanded content of the value (financial) balances and use of long-term economic norms in the planning.

Until recently the consolidated value balance sheets (consolidated financial balance sheet of the state and the balance sheet of income and expenditures of the ministries) were compiled mainly at the time of the preparation of the yearly plans. In the new five-year plan we expect to also use them in long-range planning. This will enable us to more thoroughly coordinate the production structure and the distribution of output and to better harmonize the planned expenditures with the sources of income.

For a balanced development of the national economy great importance attaches to use in the planning process of long-term norms of wages and distribution of profit and establishment of a unified fund for the development of science and technology as well as economic incentive funds. These norms are determined for the ministries,

associations and enterprises on the basis of the yearly indicators of the five-year plan and are set up as stable norms.

In 1980 norms of wages per ruble of output were approved for nine sectors of industry. A number of industrial ministries (heavy, power and agricultural machine building, electrotechnical industry, and instrument building) in their five-year plans employ the normative method of distribution of profit among the state budget and the enterprises. Starting in 1982, after the introduction of the new wholesale prices, many other ministries will go over to this method of distribution of profit.

To strengthen the balanced character of the plans, increasingly extensive use is being made of program-oriented methods in the making up of the plans. The 26th Party Congress assigned the task of preparing food and energy programs. When we subordinate the distribution of resources to the task of achieving the chief objectives of the special-purpose comprehensive programs, these programs, which are implemented through the state plan, enable us to more successfully resolve the problems of improvement of the sectorial and territorial proportions by accelerating scientific-technical progress and establishing an optimum production structure.

Gosplan USSR has approved a list of the most important economic, social and territorial special-purpose comprehensive programs to be compiled. They include programs for curtailing the use of manual labor in production, effective use of fuel and energy resources, rational consumption of metal, a program to meet the population requirements for new industrial goods, and a program for the economic development of the BAM (Baykal-Amur Main Line) zone. Methodological directives have been prepared for the preparation of the special-purpose comprehensive programs. The five-year plan also calls for the preparation of 40 special-purpose comprehensive scientific-technical programs. It is expected that the assignments for these programs will be approved among the directive indicators of the plan.

An important instrument for strengthening the proportionality of the development of production is improvement of the system of plan and evaluation indicators for the work of the industries and the production collectives. The previously employed plan indicators are being changed so as to make them a more precise reflection of the final results of production, the degree of satisfaction of the public requirements, and the effectiveness and quality of the work.

Thus, in the 11th Five-Year Plan improvement of the methods of planning the national economic proportions encompasses all the links of the economic mechanism. The determinative feature of this comprehensive work is further development and strengthening of the principle of democratic centralism as the leading principle in socialist planning. Implementation of the planned measures for improvement of the planning mechanism will help in exploiting the advantages of the economic system of socialism and in promoting successful fulfillment of the tasks of the 11th Five-Year Plan and further enhancement of the living standard of the Soviet people.

The CPSU--Advance Guard of the Soviet People

Composition of the CPSU according to Social Categories (in percentages)

	<u>1967</u>	<u>1977</u>	<u>1981</u>
Workers	38.1	42.0	43.4
Peasants (Kolkhoz Farmers)	16.0	13.6	12.8
White-Collar Workers and Others	45.9	44.4	43.8

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RESOURCE UTILIZATION AND SUPPLY

STATUTE GOVERNING DELIVERY OF PRODUCER GOODS

Moscow EKONOMICHESKAYA GAZETA in Russian No 20, May 81 pp 9-16

[Statute]

[Text] The complete text of the new Statute Governing the Delivery of Producer Goods is published below at the request of our readers. The statute was ratified by the USSR Council of Ministers on 10 February 1981 and will become effective on 1 July 1981.

I. General Principles

1. The present Statute regulates relations in the delivery of producer goods in the interest of promoting the maximum satisfaction of the national economy's requirement for specific products and in order to secure high national economic results through:

--the combination of centralized state planning with the economic independence and broad initiative of associations, enterprises, institutions and organizations;

--the development of direct, long-term economic relations between manufacturers and customers and the guaranteed integrated supply of associations, enterprises and organizations through territorial organs of USSR Gossnab;

--the raising of the role of long-term contracts in the national economy;

--broadening the influence exerted by customer associations and enterprises and material-technical supply organizations* on the formulation of production plans; the rational and economical use of material resources;

*Here and beyond, material-technical supply organizations refer to specialized and general associations, administrations and enterprises engaged in the delivery of products in the USSR Gossnab system, to enterprises and organizations belonging to the USSR State Committee for Supply of Production Equipment for Agriculture and also to supply and sales organizations belonging to other ministries, state committees and departments.

--the strengthening of planning and contractual discipline, the further development of cost accounting, the strengthening of the reciprocal material responsibility of associations, enterprises, institutions and organizations;

--the expansion of cost accounting relations between the management of industry and the management of material-technical supply and by raising the responsibility of industry and material-technical supply management organs for the appropriate organization of economic relations and for the coordination of production and delivery plans.

2. The effect of the present Statute extends to the delivery of producer goods whether or not distributed under a planned procedure irrespective of the subordination of associations, enterprises, institutions and organizations.

Deliveries of products intended for market and deliveries of consumer goods not intended for market are carried out in accordance with the Statute Governing the Delivery of Consumer Goods.

Deliveries of products for export, the filling of orders of Soviet organizations for imports and deliveries of products to the state reserve and from the state reserve are carried out in conformity with the procedure established by the USSR Council of Ministers.

Deliveries of imported products in the internal market are carried out in conformity with the present Statute unless otherwise provided for in special rules.

Deliveries of special products [produktsiya spetsial'nogo naznacheniya] to military organizations are carried out in conformity with the Basic Terms Governing Deliveries of Products for Military Organizations ratified by the USSR Council of Ministers. Deliveries of general products [produktsiya obshchego naznacheniya] to military organizations are carried out on the basis of the present Statute with due regard to the Basic Terms Governing Deliveries of Products for Military Organizations.

The procedure by which associations, enterprises, institutions and organizations are supplied producer goods through wholesale trade is regulated by the statute governing wholesale trade in producer goods which is ratified by USSR Gosplan with the consent of the State Board of Arbitration under the USSR Council of Ministers. This statute is drafted by USSR Gosplan with the participation of interested USSR ministries, state committees and departments.

The integrated supply [komplektovanie] of equipment and components to enterprises under construction and reconstruction is carried out on the basis of the present Statute and other legislative acts and basic statutes developed by USSR Gosplan with the participation of interested USSR ministries, state committees and departments and ratified by USSR Gosplan with the consent of the State Board of Arbitration under the USSR regarding the supply of equipment and components to enterprises under construction and reconstruction.

If enterprises under construction or reconstruction and integrated supply [komplektuyushchiy] organizations belong to the same ministry, state committee or department, the integrated supply of these organizations is carried out on the basis of the present Statute and other legislative acts with due regard to the particulars specified by the given ministry, state committee or department.

3. Deliveries of products are carried out on the basis of contracts.

The contract is the basic document that defines the rights and obligations of the contracting parties with regard to the delivery of all types of products distributed and not distributed under a planned procedure.

Goods/products may be delivered without the conclusion of a contract only under terms specified by the USSR Council of Ministers or the Council of Ministers of a union republic.

In the conclusion and execution of contracts, suppliers and customers must be guided by the present Statute which resolves questions that are common to all suppliers and customers.

Production associations, enterprises and organizations acting in the capacity of suppliers specify in their annual plans the mix (assortment) of products produced in response to orders filed by customers and material-technical supply organizations in accordance with concluded contracts.

In the conclusion and executions of contracts, each of the contracting parties must observe the cost accounting interests of the other party, must discharge its obligations in the way that is most economical to the socialist national economy, must take the necessary measures to avert or diminish damage that may arise as a result of the improper discharge of obligations, must promptly inform the other party regarding these measures, and must also render assistance in the execution of its obligations.

4. The particulars of delivery of individual types of products and the particulars of delivery of products for regions of the Far North and other regions ahead of schedule may be specified in special terms of delivery.

Special terms of delivery are developed on the basis of the present Statute by USSR Gosplan with the participation of interested USSR ministries, state committees and agencies. With the consent of USSR Gosplan, special terms of delivery may be developed in case of necessity by a USSR ministry, state committee and department acting in the capacity of basic supplier with the participation of interested USSR ministries, state committees and departments.

The particulars of delivery of individual types of general products to military organizations may be specified in special terms of delivery of a given type of product common to all suppliers and customers or in special terms of delivery developed on the basis of the present Statute by the Ministry of Defense with the participation of USSR ministries, state committees and departments acting in the capacity of basic suppliers.

Special terms of delivery are ratified by USSR Gosnab and the State Board of Arbitration under the USSR Council of Ministers.

Special terms of delivery of products produced by associations, enterprises and organizations of republic and local subordination and primarily consumed within a union republic may be devised and ratified under a procedure established by the Council of Ministers of a union republic if special terms of delivery have not been ratified for a given type of product in accordance with the fourth paragraph of the present point.

Special terms of delivery of products produced and entirely consumed by associations, enterprises and organizations belonging to the same USSR ministry, state committee or department are devised and ratified by this USSR ministry, state committee or department.

Particulars of delivery of technological equipment packages, technological lines, installations and units [komplektnoye tekhnologicheskoye oborudovaniye, tekhnologicheskiye linii, ustanovki i agregaty] are specified in the statute on integrated deliveries of technological equipment, technological lines, installations and units which is drafted by USSR Gosnab with the participation of interested USSR ministries, state committees and departments and ratified by USSR Gosnab, USSR Gosplan and the USSR State Committee on Prices.

The special terms of delivery may not include rules that restrict the rights of the contracting parties independently to specify terms of delivery that may be specified in the contract by the parties in accordance with the present Statute.

5. The nonperformance of contractual obligations is a violation of state discipline that entails the pecuniary liability of associations, enterprises and organizations committing the violation.

Sanctions specified in the present Statute, in special terms of delivery or in contracts for the violation of contractual obligations are applied on a mandatory basis and may not be satisfied by mutual settlement accounts.

Heads [rukovoditeli] and other officials of associations, enterprises, institutions and organizations bear legislatively established liability for the nonperformance or improper performance of obligations. In particular, persons guilty of damage due to the nonperformance or improper performance of obligations and responsible for the payment of sanctions by associations, enterprises and organizations bear pecuniary liability under the procedure and within the limits specified in labor law.

6. Ministries, state committees, departments, central organs of cooperative and other social organizations, organs of management of material-technical supply, Councils of Ministers of autonomous republics and executive committees of Soviets of People's Deputies have the obligation to monitor the timeliness and correctness of the conclusion and performance of contracts by subordinate associations, enterprises, institutions and organizations, to develop and implement measures for improving contractual relations and for increasing the effectiveness of concluded contracts.

II. Plans Governing the Conclusion of Contracts and the Organization of Economic Relations

7. Contracts for the delivery of products distributed under a planning procedure are concluded on the basis of planning acts:

--plans attaching production associations, enterprises and organizations (customers) to production associations, enterprises and organizations (manufacturers) for the delivery of products on the basis of direct, long-term economic relations;

--plans attaching material-technical supply organizations to production associations, enterprises and organizations (manufacturers and customers) for the delivery of products on the basis of long-term economic relations;

--plans for the delivery of individual types of products, including plans for cooperative interbranch and branch deliveries and vouchers [naryady] (counter-vouchers [raznaryadki]) for the delivery of products under the established procedure*

Planning acts regarding the delivery of products are issued in accordance with the structure of contractual relations specified in point 21 of the present Statute and special terms of delivery based on the need to develop rational and stable economic relations in the delivery of products and with due regard to normal freight shipment routes.

The forms of planning acts for the delivery of products are established by USSR Gosnab.

8. Ministries, state committees that act in the capacity of suppliers submit to USSR Gosnab, or in the case of products for the sale of which ministries, state committees and departments are responsible, to the appropriate ministry, state committee or department drafts of five-year production plans (broken down by year) no later than 6 months before the commencement of the five-year plan and drafts of annual production plans (broken down by quarter) no later than 6 months before the beginning of the planned year and at the same time communicate the output volume and product mix (assortment) to the production associations, enterprises and organizations that act in the capacity of manufacturers.

Special terms of delivery may specify other dates for submitting draft production plans. Unless otherwise specified by law, ratified production plans are submitted within 20 days of the adoption of five-year and one-year plans for economic and social development.

9. Plans attaching customers to suppliers are established for the period of action of five-year plans for economic and social development or longer no later than 4 months before the beginning of the planned period.

*Subsequent references to "vouchers" will be understood to mean vouchers (counter-vouchers).

Attachment plans are the basis for establishing:

--direct, long-term economic relations, as a rule, between production associations, enterprises and organizations that act in the capacity of manufacturers and production associations, enterprises and organizations that act in the capacity of customers with stably produced and consumed products;

--long-term economic relations between production associations, enterprises and organizations that act in the capacity of manufacturers and customers, and material-technical supply organizations for the delivery of stably consumed products.

In the attachment plan, the delivery volume is as a rule defined in a group mix (assortment) for the entire period of attachment broken down by year. The delivery volume specified in the attachment plan is updated when necessary in accordance with ratified annual plans for the production and distribution of products.

Amendments of direct long-term and long-term economic relations are permitted only in exceptional cases (activation of new capacities, reconstruction of enterprise, shutdown of production according to established procedure, use of new, more progressive types of raw materials and supplies, etc.) after the question has been reviewed by interested associations, enterprises, organizations, ministries, state committees, departments, gossnabs of union republics, and main territorial administrations of USSR Gossnab. In these cases, amendments may only be made by the organ that has instituted the attachment plan and interested parties must be notified no later than 3 months before the commencement of the delivery period.

The procedure for compiling and ratifying attachment plans is established by USSR Gossnab. This procedure is developed by USSR Gossnab with the participation of interested USSR ministries, state committees and departments. The procedure for attaching customers to suppliers of products produced and totally consumed by associations, enterprises and organizations belonging to the same USSR ministry, state committee or department is articulated by this USSR ministry, state committee or department.

10. Purchase permits [fondy] allocated to all-union ministries, state committees, departments and other USSR institutions and organizations (purchase permit holders [fondoderzhateli]) must be distributed and communicated to customers no later than 20 days after all-union ministries, state committees, departments and other USSR institutions and organizations have been notified of the allocated purchase permits.

Purchase permits allocated to union-republic ministries, state committees and departments of the USSR and to Councils of Ministers of union republics (purchase permit holders) must be distributed among union-republic and republic ministries, state committees, departments and other institutions and organizations of union republics and must be communicated to customers no later than 30 days after union-republic ministries, state committees, departments of the USSR and Councils of Ministers of union republics are notified of the allocated purchase permits.

At the same time that customers are notified of the distribution of purchase permits, the appropriate material-technical supply organs responsible for the issuance of planning acts for the delivery of products must be notified of the given distribution of purchase permits.

In the absence of need for allocated products, purchase permit holders notify USSR Gosnab of the refusal of the purchase permits. In the case of products distributed by USSR ministries, state committees and departments, the notification is made to the appropriate USSR ministry, state committee and department.

If the allocated purchase permits are not distributed to customers within the specified time, USSR Gosnab, and in the case of products to be distributed by USSR ministries, state committees and departments--the appropriate USSR ministry, state committee or department examines with the purchase permit holder the question and may decide to reduce the purchase permit.

If the law gives the purchase permit holders the right to keep reserve material resources at their disposal, the purchase permit holders must -- together with the notification on the distribution of purchase permits -- inform the appropriate material-technical supply organs on the quantity of products retained in reserve. The procedure and time of distribution of these reserves are elaborated by USSR Gosnab with the participation of interested ministries, state committees, departments of the USSR, and Councils of Ministers of union republics and are ratified by USSR Gosnab.

If necessary, the purchase permit holder may modify the distribution of purchase permits no later than 50 days before the beginning of the delivery quarter (month).

Special terms of delivery may specify other procedures and times of distribution of purchase permits and amend their distribution.

Purchase permits are effective for the period for which they are issued. Unless another period is specified by law, purchase permits issued for less than a year remain in effect until the end of the planned year.

11. Delivery vouchers are issued to suppliers and customers in cases when they have not established direct long-term or long-term economic relations with one another. Vouchers are issued by material-technical supply organs in accordance with allocated purchase permits within 15 days of the receipt of notification from purchase permit holders regarding the distribution of purchase permits and in the case of the delivery of products for which purchase permits are not specified--within time limits established by USSR Gosnab, but no later than 45 days before the beginning of the planned year (half-year, quarter).

The specification of allocated purchase permits is carried out under a procedure and within the time limits indicated by USSR Gosnab.

Vouchers issued to suppliers and customers by soyuzglavsnabsbyty under USSR Gosnab* and notifications of their amendment are sent to purchase permit holders, to gosnaby of union republics and to main territorial administrations of USSR Gosnab at the same time that notifications are sent to their suppliers and customers.

Material-technical supply organs may issue group vouchers without designating the customer to suppliers, to purchase permit holders, to the gosnab of a union republic, and to main territorial administrations of USSR Gosnab. Group vouchers are issued no later than 65 days before the beginning of the planned year

*When in accordance with the law the supply and sales organizations of ministries and departments of the USSR perform the same functions as soyuzglavsnabsbyty under USSR Gosnab, the part of the present statute that concerns soyuzglavsnabsbyty also extends to them.

(half-year, quarter). The purchase permit holder or gossnab of a union republic and main territorial administrations of USSR Gossnab are obligated to issue vouchers to suppliers and customers on the basis of group vouchers within 20 days of the receipt of the group voucher but no later than 45 days from the beginning of the planned year (half-year, quarter). Vouchers must be issued for the same period of time as the group vouchers.

When products are distributed to customers by the gossnaby of union republics and by the main territorial administrations of USSR Gossnab, the given organs are obligated to distribute products and to send delivery vouchers to suppliers and customers within 20 days of the receipt of data on resources allocated to them for distribution.

Vouchers are issued with due regard to the established minimum shipping norms except for cases when in accordance with the mandatory rules, the supplier is obligated to ship products in quantities lower than the minimum shipping norms.

The special delivery terms may specify another procedure and time for issuing vouchers and group vouchers.

Vouchers and group vouchers for the delivery of products allocated from the reserve of the USSR Council of Ministers and products allocated by USSR Gossnab from the undistributed reserve may be issued at other times to ensure the fulfillment of assignments envisaged in decisions on allocation.

Planning acts on the delivery of basic technological and power-generating equipment for capital construction and for other cases stipulated by law are effective until they are entirely executed.

The vouchers indicate the supplier, the customer, the quantity, the group mix (assortment), the delivery schedule, and other more detailed data required for delivery.

12. Planning acts for the delivery of products must be issued in accordance with production plans ratified by production associations, enterprises and organizations that act in the capacity of suppliers and, in the event of the establishment additional assignment, with due regard to these assignments.

Planning acts are also issued for the delivery of products produced in excess of the plan and distributed under a planned procedure. Before these products are produced, planning acts for their delivery may be issued only with the consent of the supplier. Planning acts are not issued for the delivery of products, the production of which in excess of the plan is prohibited under the established procedure.

In cases specified by USSR Gossnab, planning acts may be issued before the ratification of production plans and plans for the distribution of products (on the basis of draft plans) and may in case of necessity be subsequently revised after the ratification of the plans.

13. Customers may place orders with suppliers for the delivery of products not distributed under the planned procedure. In the case of long-term economic relations existing between the contracting parties, orders for the delivery of these products are submitted to suppliers by customers within the specified period. The supplier may not unilaterally violate these economic relations.



14. Organs that have issued vouchers and group vouchers for the delivery of products may amend or rescind them in accordance with the redistribution of purchase permits (point 10 of the present Statute) and in other exceptional cases (the development of emergency state requirements, the elimination of the aftermath of natural disasters, etc.). Group vouchers may be modified no later than 45 days while those issued on the basis of vouchers may be modified no later than 30 days before the delivery period coupled with the one-time notification of the supplier, customer and purchase permit holder.

When group vouchers are not issued, the vouchers may be modified no later than 45 days before the beginning of the delivery period.

The special delivery terms may specify other procedures and times for amending vouchers and group vouchers.

When a voucher is amended or rescinded after the conclusion of the contract, the contracting parties resolve the question of amending or dissolving the contract under the procedure specified in point 31 of the present Statute.

15. Suppliers refusing to conclude or amend a delivery contract or to incorporate in the contract individual terms of the planning act for the delivery of products due to the fact that the issuance of the planning act or the notification of its amendment violates established procedures and deadlines must accordingly notify the organ issuing the planning act or the notification of its amendment and must also notify the purchase permit holder and the customer within 10 days of the receipt of the planning act or the notification of its amendment. The return of the planning act or of the notification of its amendment to the issuing organ is prohibited.

An organ issuing a planning act or announcing its amendment must within 10 days of the receipt of such an announcement verify the basis of refusal and report to the supplier, the customer, the union republic gossnab, the main territorial administration of USSR Gossnab and the purchase permit holder on the rescission, amendment or confirmation of the planning act. If an organ issuing a planning act or announcing its amendment does not report its decision within the specified period, the supplier's refusal is deemed to have been accepted. If the supplier's refusal is accepted, at the demand of the customer, this organ must issue to the customer a new planning act within 10 days of the receipt of the demand.

16. Customers are entitled to refuse some or all of the products allocated to them and to refuse to conclude a contract for the delivery of these products. The customer must report the refusal to the supplier, purchase permit holder and the issuer of the planning act within 10 days of the receipt of the allocation notification or the receipt of the planning act.

17. Within 10 days of the receipt of the customer's rejection of the products, the purchase permit holder must redistribute them and must identify the new customer to the supplier and the organ issuing the planning act for the delivery of the products. If the purchase permit holder cannot find within the holder's system another customer for these products, the holder must within the same period of time

report the refusal of the allocated purchase permit to USSR Gosnab, or in the case of products distributed by USSR ministries, state committees and departments, must report the refusal to the appropriate USSR ministry, state committee and supplier.

USSR Gosnab or, in the appropriate instance, a USSR ministry, state committee or department examines the question of the redistribution of products with due regard to the fact that planning acts for the delivery of such products to other customers must be issued to the supplier within 30 days of the receipt of the notification of the purchase permit holder of the refusal of an allocated purchase permit unless another period is indicated in the special terms of delivery.

In the absence of demand for the products, the indicated organs resolve the question of taking them out of production under the established procedure

18. A production association, enterprise or organization acting in the capacity of a manufacturer may at its discretion sell products distributed according to a planning procedure if these products do not find a market based on planning acts for the delivery of products.

The sale of such products may take place in the event of the refusal of the corresponding material-technical supply organ to issue a planning act for their delivery or in the event a production association, enterprise or organization acting in the capacity of a manufacturer fails to receive from this organ a planning act within 30 days of the notification of undistributed products or the receipt by a production association, enterprise or organization acting in the capacity of manufacturer of the notification of the purchase permit holder of the rejection of the allocated purchase permit (point 17 of the present Statute).

The procedure for selling perishables for which material-technical supply organs have not issued planning acts within the specified period is stipulated in special terms of delivery or in other binding rules for the contracting parties.

19. In the process of concluding contracts and coordinating the product mix (assortment), the contracting parties are guided by lists of products to be manufactured and delivered, which are elaborated and ratified for production associations, enterprises and organizations acting in the capacity of manufacturers with due regard to their specialization by ministries, state committees and departments with the participation of USSR Gosnab.

The procedure for elaborating the indicated lists is established by USSR Gosnab.

In accordance with the ratified list, the supplier must accept for fulfillment the customer's order for the product mix (assortment) required by the customer within the limits of the quantities of products specified in the planning act for the delivery of products. The contracting parties may conclude contracts for the delivery of products in a mix (assortment) not included on the list.

Ministries, state committees and departments may not amend volumes, delivery schedules and product mix (assortment) of the production plans of subordinate production associations, enterprises and organizations acting in the capacity of

of manufacturer without the consent of USSR Gosnab or of soyuzglavnabsbyty under USSR Gosnab, and in the case of products sold by ministries, state committees and departments--without the consent of the appropriate ministries, state committees and departments. If production plans are amended in violation of the established procedure, amendments are not made in planning acts for the delivery of products or in the contracts and suppliers are not exempted from their liability for the nonperformance of their contractual obligations.

20. Soyuzglavnabsbyty under USSR Gosnab conclude long-term, 5-year contracts governing the organization of the supply of products to the national economy with industrial association administrations and other cost accounting organs of industrial management. On the basis of a concluded contract, an industrial association administration or other cost accounting organ of industrial management assumes the obligation to produce in subordinate production associations, enterprises and organizations products in the quantity and mix (assortment) agreed upon with soyuzglavnabsbyty, and the soyuzglavnabsbyty assume the obligation to sell the given products in accordance with the contract.

The contract specifies procedures and time schedules for submitting long-term [perspektivnyy] and 1-year orders for products, the quantity and group mix (assortment) of products to be manufactured by production associations, enterprises and organizations belonging to an industrial association or other cost accounting organ of industrial management, the procedure for organizing economic relations pertaining to deliveries, and other terms which the contracting parties deem necessary to include in the contract.

The procedure for organizing economic relations and for submitting orders for products distributed under a planning procedure is indicated in the contract in accordance with the law. The mutual pecuniary liability of the contracting parties is stipulated in the law and in the contract.

Long-term contracts for the supply of products to the national economy are concluded on the basis of the present Statute and the model contract [primernyy dogovor] that is drafted by USSR Gosnab with the participation of USSR ministries, state committees and departments and ratified by USSR Gosnab and the State Board of Arbitration under the USSR Council of Ministers.

III. The Procedure and Time Schedule for Concluding Contracts

21. Contracts for the delivery of products are concluded between production associations, enterprises and organizations acting in the capacity of manufacturers and production associations, enterprises, institutions and organizations acting in the capacity of customers in the event that:

--direct, long-term economic relations have been established between the manufacturer and the customer;

--the manufacture of the products requires the coordination of the technical specifications of the products directly between the manufacturer and the customer;

--the quantity of products to be delivered during the delivery period is not lower than the minimum shipment norm and the sale of a given type of product or its integrated supply to the customer is not the responsibility of a material-technical supply organization.

In other instances, contracts are concluded by production associations, enterprises and organizations acting in the capacity of manufacturers with material-technical supply organizations and by material-technical supply organizations with production associations, enterprises, institutions and organizations acting in the capacity of customers.

The special delivery terms may specify a structure of contractual relations that differs from the structure specified in the present Statute.

With the consent of the manufacturer and the customer, the contract may be concluded directly between them even if the quantity of products to be delivered is lower than the minimum shipment norm. An appropriate notification must be sent in such a case to the material-technical supply organization indicated in the capacity of supplier in the planning act for the delivery of the products.

Long-term contracts for the organization of material-technical supply are concluded by territorial organs of USSR Gossnab with production associations, enterprises, construction organizations and other major customers.

Long-term contracts for the organization of material-technical supply are concluded on the basis of the present Statute and the model contract which is drafted by USSR Gossnab with the participation of ministries, state committees and departments of the USSR and is ratified by USSR Gossnab and the State Board of Arbitration under the USSR Council of Ministers.

In cases established by special rules, contracts for the delivery of equipment, instruments, cable, and other products for enterprises under construction and reconstruction are concluded between production associations, enterprises and organizations manufacturing these products and integrated supply organizations, and between integrated supply organizations and enterprises under construction and reconstruction.

22. The customer and the supplier are entitled to invite other associations, enterprises, institutions and organizations to participate in the contract on a share basis. In such a case, the indicated associations, enterprises, institutions and organizations participating on a share basis take a direct part in drafting all terms of the contract, sign the contract and bear responsibility for the performance of obligations within the limits of their respective shares.

23. The contract is concluded through the compilation of a single document that is signed by the contracting parties, by the exchange of letters or telegrams, or through the supplier's written confirmation of the receipt of the customer's order. The form of the order is ratified by USSR Gossnab.

Contractual relations may also be established through the contracting parties' acceptance for fulfillment of a voucher in cases specified in point 29 of the present Statute.

24. Contracts are concluded for 5 years, for 1 year or for other periods of time with due regard to the time of manufacture and delivery of the products. Contracts for the delivery of products on the basis of direct long-term and long-term economic relations based on attachment plans [plany prikrepleniya] and contracts for the organization of material-technical supply are concluded for a period of 5 years.

The contracting parties are entitled to extend the action of a concluded contract for a new period of time. Contracts are extended for periods of time specified for the conclusion of contracts. If the effective period of a concluded contract is extended, the contracting parties coordinate the quantity, mix (assortment), quality of products, delivery schedules, and other necessary terms for the subsequent period according to the procedure specified in the present Statute, in special terms of delivery, and in the contract.

25. The contract specifies:

- a) the mix, quantity, and if necessary, the detailed mix (assortment) of products to be delivered (brands, types, shapes, etc.);
- b) the quality, and if necessary, the grade and completeness of products;
- c) the overall effective period of the contract and the delivery schedule (periods);
- d) the price of products and the overall value of the contract;
- e) procedures and forms used in the settlement of accounts;
- f) payment and postal orders of the supplier and customer and shipping orders of the customer if the customer is also the recipient of the products.
- g) other terms that may be specified in accordance with the law as well as terms which the supplier and the customer may deem necessary to specify in the contract.

In addition to the terms specified in the present point, the long-term contract for the delivery of products on the basis of long-term economic relations also specifies the mutual obligation of the contracting parties to expand the mix (assortment), to improve the quality and technico-economic indicators of the products during the effective period of the contract, to render technical assistance in the manufacture and exploitation of new types of products, in the debugging or execution of installation work, in the introduction and utilization of progressive types of packing, packaging and shipment of products, and other terms issuing from the long-term collaboration of the contracting parties.

The long-term contract for the organization of material-technical supply makes provision for the guaranteed, integrated supply of products to the customer (with or without the use of purchase permits), for the quantity of material resources to be transferred by the consumers of the reserves, for the preparation of products for use in production, for the centralized delivery of products on the basis of coordinated schedules, for the sale of above-norm, redundant inventories, and for the rendering of other services. The contract also specifies

that territorial organs of USSR Gosnab guarantee the customers that products will be supplied on a loan basis [zaimobraznyy otpusk produktov] according to the agreed upon product mix when the customers are in direct contractual relations with production associations, enterprises and organizations that act in the capacity of manufacturers and the latter default on their commitment to deliver the given products.

When territorial organs of USSR Gosnab assume under contract the realization of purchase permits allocated to customers, these organs (in the capacity of customers) conclude contracts with production associations, enterprises and organizations acting in the capacity of manufacturers.

The contracting parties may list the detailed mix (assortment) of products to be delivered and other terms in a specification which is an integral part of the contract. If it is impossible to coordinate the specification for the entire period of the contract, it is coordinated for another period. The procedure and time for coordinating and amending the specification are indicated in the contract.

As a rule, the contracting parties specify the volume of delivery of products for a 5-year period (broken down by year) in the group mix (assortment) in long-term contracts for the delivery of products on the basis of direct long-term and long-term economic relations. The detailed mix (assortment) of products to be delivered is listed in the specifications agreed upon by the contracting parties according to the procedure specified in the present point.

In the event a contract of a year or lesser duration does not contain terms regarding the subject of delivery (name, quantity, mix, assortment, and quality of products) and price and if a long-term contract for the delivery of products on the basis of direct long-term and long-term economic relations does not contain terms regarding the name, quantity and group mix (assortment) of the products, the contract is deemed as not having been concluded.

26. When concluding contracts on the basis of planning acts for the delivery of products, the supplier must within 20 days of the receipt of the planning act send the customer a signed draft of the contract in two copies or a letter or telegram containing an offer to establish contractual relations. Upon the conclusion of contracts for the organization of material-technical supply, territorial organs of USSR Gosnab send the customers drafts of the given contracts within 3 months of the beginning of the period for which the contract is concluded.

If in order to conclude a contract the customer must submit a specification with a technical description or detailed mix (assortment) of the products, the customer must send such a specification to the supplier within 10 days after the receipt of the planning act for the delivery of products unless another period is indicated in the special terms of delivery. The supplier is obligated to send the customer a draft of the contract within 10 days of the receipt of the given specification.

Within 10 days, and in the case of a long-term contract, within 20 days of the receipt of the draft contract from the supplier, the customer must sign it and return one copy to the supplier. If contractual relations are formed through the exchange of letters or telegrams, the customer must reply to the supplier's letter or telegram within 10 days of receipt.

The special terms of delivery may stipulate that the customer must send a signed draft of the contract to the supplier.

When the conclusion of the contract takes the form of the supplier's confirmation of the acceptance of the customer's order, the customer submits his order to the supplier in duplicate within 10 days of the receipt of notification of the allocation of the purchase permit and, in the appropriate cases--within 10 days of the receipt of the planning acts.

Within 30 days of the beginning of the period for which the order is submitted, the supplier signs the order and returns one copy to the customer. If there are objections to individual terms in the order, the signed order must state these objections.

The special terms of delivery may specify other times for submitting and confirming the acceptance of orders.

27. The contract for the delivery of equipment, machinery and other material assets classified as the fixed capital of an association, enterprise, institution or organization may be concluded only within the limits of the funds designated for this purpose including bank loans.

28. Any contracting party may initiate a proposal to conclude a contract for the delivery of products not distributed under a planning procedure and products that are sold by the supplier at his discretion (point 18 of the present Statute). A contracting party receiving a proposal to conclude a contract must reply to the other party within 10 days of the receipt of the proposal.

Disagreements on the terms of the contract for the delivery of such products may be submitted for arbitration by the supplier or customer if the contracting parties have reached agreement on the quantity, mix (assortment) and delivery schedule or if the agreement of the parties stipulates that disputes may be submitted for arbitration irrespective of agreement on these terms.

In the event of a dispute surrounding the supplier's avoidance of the conclusion of a contract for the delivery of products not distributed under a planning procedure or a dispute regarding the terms of such a contract under existing long-term economic relations between the contracting parties, the customer is entitled to submit this dispute for arbitration.

29. Contractual relations regarding the delivery of products may be established through the contracting parties' acceptance of a voucher for fulfillment when the voucher issued to the supplier and the customer contains all the data required for making the delivery (the quantity, mix or assortment, the quality of the product, the delivery schedule, etc.), when the price of the products is stipulated in a price list, and when no other additional conditions need be coordinated.

A voucher is considered as having been accepted for execution and acquires the force of a contract unless within 10 days of its receipt an interested party informs the other party of its desire to coordinate additional terms of delivery or else informs the voucher issuer (and when necessary, the purchase permit holder as well) and the other party of its dispute with the voucher.

If one of the contracting parties demands that the delivery be based on a voucher through the conclusion of a contract signed by the supplier and the customer, the other contracting party may not reject this demand. In such a case, the draft of the contract is sent by the party that deems it necessary to conclude a contract that must be signed by both parties. The draft of the contract is sent within 10 days of the receipt of the voucher or of the notification of the confirmation of the voucher by the organ that issued the voucher.

The special terms of delivery may specify another procedure for formulating contractual relations through the acceptance of the voucher for fulfillment.

In the event the customer receives a voucher for the delivery of goods classified under the heading of fixed capital but lacks the necessary funds to purchase them, the customer must so notify the supplier, the purchase permit holder and the voucher issuer. In the given instance, the voucher cannot be accepted for fulfillment by the contracting parties.

30. If after receiving the draft of the contract, one of the contracting parties objects to its terms, the given party must within 10 days, or in the case of a long-term contract, within 20 days of the receipt of the draft contract compile a list of points of disagreement and send the list in duplicate to the other contracting party together with the signed contract and the list of points of contention in the contract.

The contracting party receiving the list of grievances must examine it within 20 days (if necessary, with the other contracting party if both contracting parties are in the same locality or if a long-term contract is under consideration), must incorporate in the contract all accepted proposals, and in the same period of time must submit all points of contention for arbitration. When the customer receives an order (together with the various points of contention) signed by the supplier, the customer submits the unresolved points of contention for arbitration within the same period.

If the party receiving the list of points of contention or a signed order listing points of contention does not submit the given points of contention for arbitration within 20 days, the proposals of the other contracting party shall be deemed to have been accepted.

In the event of a dispute regarding the conclusion of a contract for the organization of material-technical supply (including the avoidance of such a contract), the interested party is entitled to submit the dispute to arbitration.

Pending the resolution of contract (order) disputes, the supplier is obligated to deliver products in the specified quantity and mix (assortment).

Upon expiration of the period specified for the conclusion of a contract, products may be delivered only with the customer's consent.

31. Contracts that contravene legislative acts, state plans and targets are totally or partially invalid.

Except for cases specified in the law, the unilateral repudiation of a contract or the unilateral amendment of its provisions is prohibited.

A contract may be amended or dissolved with the consent of the contracting parties. A contract is amended or dissolved by a supplementary agreement signed by the parties or by an exchange of letters and telegrams.

A party receiving a proposal to amend or dissolve a contract must respond within 10 days of the receipt of the proposal. In the event the contracting parties are unable to agree on the amendment or dissolution of a contract, the dispute will be resolved by arbitration at the request of the interested party.

A contract for the delivery of products distributed under a planning procedure shall be deemed amended or dissolved if neither of the parties within 10 days of the receipt of the notification of the amendment or rescission of the planning acts for the delivery of products shall have declared its dissent regarding the amendment or rescission of the planning act to the other contracting party, to the purchase permit holder and to the organ issuing the announcement.

If the material-technical supply organization monitoring the state of material resources in associations, enterprises, institutions and organizations finds that the customer party to the contract has in its possession products in excess of the norm or surplus products, it may notify the customer and the purchase permit holder of the corresponding reduction in the quantity of products to be delivered or of a change in the delivery schedule. If the customer does not voice his objections to the other party within 10 days, the contract is considered amended or dissolved.

USSR Gosplan with the participation of interested ministries, state committees and departments indicates individual types of products which the customer may unilaterally totally or partially reject during the effective period of the contract and establishes the procedure and time limits for rejecting such products and the procedure for using them.

IV. Quantity, Time Schedule and Procedures of Deliveries

32. The quantity of products distributed under a planning procedure to be delivered is specified in the contract in accordance with the planning acts indicated in point 7 of the present Statute and with the customers' orders

After the conclusion of the contract, the customer may with the consent of the supplier refuse all or part of the products specified in the contract. In such a case the customer must notify the purchase permit holder and the organ issuing the planning act on the basis of which the contract was concluded within 5 days of the parties' agreement.

In such cases, the contract is amended or dissolved according to the procedure specified in point 31 of the present Statute.

The quantity of products not distributed under a planning procedure to be delivered is specified in the contract with the agreement of the contracting parties.

The detailed mix (assortment) of products to be delivered is specified in the contract with the agreement of the contracting parties according to the procedure stipulated in points 25 and 26 of the present Statute.

33. In the event the products are shipped not to the customer but to recipients that are not in contractual relations with the supplier, the customer sends shipment counter-vouchers [otgruzochnyye raznaryadki] to the supplier.

The content of the shipment counter-vouchers, the procedure and time limits for sending them to the supplier, and the procedure and time limits for amending these counter-vouchers are specified in the special terms of delivery or in the contract.

In the event the special terms of delivery or the contract do not specify the procedure and time limits for submitting shipment counter-vouchers, the customer must send the supplier counter-vouchers for the year or for the first quarter at the same time that he returns the signed contract. If the customer appends only the shipment counter-voucher for the first quarter to the contract, he must submit counter-vouchers to the supplier for the second, third and fourth quarters no later than 30 days before the beginning of the quarter.

34. Products are delivered in equal monthly lots unless other delivery times (periods) are specified in the special terms of delivery or in the contract.

When permitted by law, products may be delivered ahead of schedule with the consent of the customer. Products that are delivered ahead of schedule and accepted by the customer are paid for and are counted as part of the products scheduled for delivery in the following period.

35. The day of performance of the delivery obligation is considered to be:

a) in the case of shipments of products to customers in other cities--the day the products are turned over to the transport or communications organ, determined by the date on the transport document or the document issued by the communications organ;

b) in the case of the delivery of products to the customer's or supplier's (manufacturer's) warehouse--the date of the acceptance-surrender act [priyemodatochnyy akt] or the date of the receipt for the products.

36. Shortfalls in deliveries by the supplier or quantities of products not accepted by the customer in one month, quarter or other period of delivery must be made up for in the following month, quarter or other period.

The given shortfall (or unaccepted quantities) must be supplied in the mix (assortment) specified for the period of the shortfall (nonacceptance) unless another mix (assortment) is agreed upon by the contracting parties.

The special terms of delivery or contract may specify another procedure or time for making up the shortfall (or unaccepted products).

Unless otherwise specified in the contract, the customer may, after notifying the supplier, refuse to accept late shipments of goods. The customer has the obligation to accept and pay for products shipped by the supplier before receipt of the customer's notification.

The shortfall (quantity of unaccepted products) must be made up during the effective period of the purchase permit. In the case of products not distributed under a planning procedure, shortfalls must be made up during the effective period of the contract unless otherwise specified.

Products delivered to one customer (including a production, structural unit of an association) in excess of the quantity specified in the delivery contract for a given period or in a shipment counter-voucher in fulfillment of the contract, and products delivered to other than the production, structural unit indicated in the shipment counter-voucher are not counted as making up the shortfall to other customers.

The delivery of one type of product of a given mix (assortment) is not counted toward making up the shortfall of another type of product unless the delivery is made with the written consent of the customer beforehand or if the customer accepts the product for use. If delivery is made with the advance written consent of the customer or if the customer accepts the product for use, the shortfall in the product mix (assortment) need not be made up.

37. In cases stipulated by law and in the case of necessity to give top priority to the delivery of products to individual customers (for projects in the startup stage, regions designated to receive delivery ahead of schedule [rayony dosrochnogo zavoza], etc.), suppliers may under a procedure defined by USSR Gosnab be assigned mandatory priorities and shipping schedules (sequence of shipments).

38. The supplier delivers goods:

- a) to customers in other cities--by rail or water or by truck in cases specified in the appropriate rules;
- b) to customers in the same city--usually through centralized truck shipments.

The contract may specify the shipment of goods by any other mode of transport or may require the customer (recipient) to pick up the goods from the supplier's (manufacturer's) warehouse, and may stipulate the procedure and time of pickup.

Deliveries must be made with the most rational use of various modes of transport.

In the case of the delivery (shipment) of goods by truck, goods are loaded and reusable containers are unloaded using the supplier's manpower and resources and at the supplier's expense, while the unloading of goods and the loading of reusable containers at the recipient's warehouse are performed using the recipient's manpower and resources and at the latter's expense.

The shipment of goods and the centralized delivery of goods by truck may be made within the specified delivery time according to schedules agreed upon by the contracting parties. The procedure and time limits for coordinating schedules are specified in the special terms of delivery or in the contract.

39. Shipping costs are borne by the supplier or customer in accordance with the price list for products or other binding rules for the contracting parties and in their absence in accordance with the contract.

Additional costs associated with the shipment of goods by fast freight at the customer's request are borne by the customer.

In accordance with the mandatory rules for the contracting parties or the contract, when goods are shipped f.o.b. railroad car (vessel) station (port, pier) destination to customers in other cities, shipment is made by truck instead of railroad car, the difference in the cost of truck shipment compared with the cost of rail (water) shipment is distributed between supplier and customer in keeping with the price list and, in the absence of appropriate instructions in the price list, on the basis of agreement of the parties. If the parties are unable to reach agreement, the difference in shipping cost is divided evenly between the parties.

If at the fault of the supplier (manufacturer), goods are not shipped on schedule by rail (water) and if the customer (recipient) removes the goods from the supplier's (manufacturer's) warehouse by truck, the supplier (manufacturer) compensates the customer (recipient):

a) in the case of f.o.b. railroad car (vessel) station (port, pier) destination--for the cost of shipping goods by truck to the station (port, pier) destination according to the established rates;

b) in the case of f.o.b. railroad car (vessel) station (port, pier) of origin--for the difference between the cost of shipping by truck to the station (port, pier) of destination and the cost of shipping these goods by rail (water).

40. Goods are shipped to the recipient in accordance with the minimum shipping norms (railroad cars, containers, etc.).

Minimum shipping norms are established in special terms of delivery. If such norms are not established for a given type of product, they may be stipulated in the contract if necessary. The contract may also specify minimum norms for the delivery of goods by truck.

The procedure for delivering goods in quantities lower than minimum delivery norms and the procedure for shipping goods by parcel post may be specified in the contract.

If a material-technical supply organization is the recipient of goods and in other cases specified by law, the quantity of products allocated to the customer for the quarter is less than the minimum shipping norm, the supplier (manufacturer) is obligated to ship goods to the recipient in a quantity less than the minimum shipping norm (the entire quantity of products specified for the quarter simultaneously).

Enterprises responsible for deliveries of products (of the base) of ministries, state committees and departments ship (release) products in any quantity needed by the recipient less than the minimum shipping norm.

41. If according to the contract, the customer is not the recipient of the goods (payer), the supplier must inform the customer of the shipment of goods to the recipients by sending the customer copies of payment demands and shipping documentation regarding the goods shipped within 3 days of shipment unless other periods or modes of notification are specified in the special terms of delivery or contract.

The supplier must within the same period of time send to the gossnab of a union republic or to the USSR Gossnab main territorial administration responsible for the supplier's region copies of payment demands and shipping documentation regarding the shipped goods unless other periods and modes of notification have been agreed upon by the supplier and the given organs.

42. The procedure and deadlines for accepting goods with respect to quantity are specified in instructions ratified by the State Board of Arbitration under the USSR Council of Ministers.

The acceptance of goods from transport and communications organs with respect to quantity is carried out in accordance with the rules in effect in transport and in communications organs.

43. Uncontracted goods shipped without the consent of the customer, or goods shipped in violation of terms of the contract, or in the absence of contractual relations--if the customer (recipient) refuses to accept them for use--are accepted for safekeeping [otvetstvennoe khranenie] by the customer with the exception of cases in which the customer (recipient) is legally entitled to refuse to accept such products from transport organs.

The customer (recipient) accepting goods for safekeeping must notify the supplier of the fact within 24 hours of acceptance. The supplier must telegraph instructions on the disposition of goods accepted for safekeeping within 5 days of the receipt of the notification. If no such instructions are forthcoming within the specified period, the customer (recipient) is entitled to invoke a fine against the supplier as stipulated in point 85 of the present Statute and if such instructions are not forthcoming within 30 days from the day of notification, the customer is authorized to dispose of the goods primarily by selling them locally.

Upon receipt of oncontracted perishable goods without the agreement of the customer or of perishable goods delivered in violation of the terms of the contract, and in the absence of contractual relations between the parties, the customer (recipient) must verify their quantity and quality and telegraph the supplier for the necessary instructions and the supplier in turn must provide these instructions (also by telegraph) within 24 hours. If no reply is forthcoming from the supplier within this time, the customer (recipient) is entitled to dispose of the products at his discretion. The customer (recipient) disposes of products distributed under a planning procedure in his safekeeping with the consent of the gossnab of a union republic or the USSR Gossnab main territorial administration responsible for the customer's (recipient's) region.

Sums received by the customer (recipient) from the sale of products in his safekeeping minus the cost of acceptance, handling, storage and sale are to be transferred to the supplier (shipper) under procedures and deadlines specified by USSR Gossnab.

The customer is entitled to refuse to accept delivery from the supplier of goods shipped in excess of the quantity stipulated in the contract (both in sum or with respect to individual items) or in violation of other terms of the contract.

V. Quality and Completeness of Shipments

44. Goods delivered must conform to the quality (in terms of reliability, service life, and other indicators), standards (state, branch, republic, and CEMA), technical specifications, and models (reference specimens) ratified according to the established procedure

If standards, technical specifications and models (reference specimens) ratified by the appropriate organs do not exist for the products, the quality of the products must conform to technical specifications ratified by the association, enterprise and organization acting in the capacity of supplier with the consent of the customer or to models (reference specimens) agreed upon by the parties.

Numbers and indexes of the standards and technical specifications are indicated in the contract. If branch and republic standards and technical specifications have not previously been supplied to a given customer, they are appended to the contract. If necessary, the contract specifies the number of copies of branch and republic standards and technical specifications that are to be supplied to the customer who in turn will furnish them to the users of the products.

In the case of the delivery of products for which ratified models (reference specimens) exist, the contract indicates the date of ratification and the name of the organization ratifying the model (reference specimen). A technical description of the model (reference specimen) is appended to the contract.

When goods are delivered on the basis of agreed upon models (reference specimens), they are described in the contract together with an indication of storage procedures guaranteeing integrity and precluding the possibility of question being raised regarding the genuineness of the models (reference specimens).

If a delivered item is in the highest quality category, this point must be stated in the contract.

If during the effective period of the contract, new state or CEMA standards on given delivered products are ratified, the supplier must notify the customer of this fact within 30 days of the date they become effective. The supplier must send new or amended branch and republic standards, technical specifications or technical descriptions of models (reference specimens) to the customer within the same period of time.

The contract may call for the delivery of products of higher quality than specified in standards, technical specifications, and models (reference specimens).

45. Warranty periods for products are established in standards or technical specifications.

If warranty periods are not specified in the standards or technical specifications, they may be specified in the contract.

The parties may specify in the contract longer warranty periods than indicated in the standards or technical specifications.

The warranty period is computed starting with the day an item is put into operation but no later than 6 months for existing enterprises and 9 months for enterprises under construction, and in the case of items used at enterprises with a seasonal type of operation and in the case of spare parts--no longer than a year from the date of their receipt at the enterprise unless otherwise specified in standards, technical specifications or contracts.

The warranty period for components is considered to be equal to the warranty period for the basic item and expires concurrently with the expiration of the warranty period for this item unless otherwise specified in the standards or technical specifications for the basic item.

If standards or technical specifications specify the service life and shelf life of products, the parties specify in the contract the deadline for delivery of such products within the established service and shelf life. Service life and shelf life are calculated from the day of manufacture.

46. The supplier (manufacturer) must at his own expense correct flaws detected in a product during the warranty period or else replace the product unless he can prove that the flaws are the result of the customer's (recipient's) violation of the rules governing the use or storage of the product. With the consent of the parties and in cases stipulated by law, the customer (recipient) may be required to correct flaws at the expense of the supplier (manufacturer). Flaws must be corrected or products must be replaced within 15 days of receipt of the customer's (recipient's) notification of detected flaws unless another period is specified in the special terms of delivery, standards, technical specifications or when agreed upon by the parties.

The correction of flaws in a product or the replacement of the product within the warranty period does not relieve the supplier of the obligation to pay the fine indicated in points 72 and 73 of the present Statute.

In the event flaws in a warranted product are corrected, the warranty period is extended for the period that the product could not be used due to the flaws. If the product is replaced, the warranty period is computed from the date of replacement.

47. Complete products must be delivered in accordance with the demands of standards, technical specifications or price lists. The contract may specify that the product be delivered with additional parts or without parts that the customer does not require.

If the standards, technical specifications or price list do not call for the complete delivery of an equipment package, this point may be specified in the contract if necessary.

The contract may call for the delivery of individual parts of the equipment package or for the shipment of individual parts of the complex directly from the manufacturer and may specify their shipment schedule. In such cases, the supplier may bill the customer for an equipment package after all its parts have been shipped by manufacturing plants unless another payment procedure is specified in the contract.

48. The contract may specify the delivery of complete equipment packages, i. e., the delivery of an aggregate of equipment, instruments and other products. If the delivery of a complete equipment package is specified in rules that are binding on the parties, this point is specified in the contract in accordance with these rules.

49. The special terms of delivery or the contract specify the documents that the supplier uses to certify the quality and completeness of delivered products (quality certificate, technical passport, technical acceptance act, etc.) and also indicate the procedure and deadlines for submitting these and other documents (instructions on installation, testing, adjustment, operation, etc.) to the customer (recipient).

Shipping documents and other documents accompanying goods shipments indicate if the goods are in the highest quality category.

50. Goods must be marked in accordance with standards or technical specifications. If the standards or technical specifications do not contain instructions on the marking of products, these instructions may be indicated in the contract. The parties are entitled to incorporate in the contract special marking requirements that are not specified in standards or technical specifications.

Delivered products or their packaging must bear properly registered trademarks. Trademarks must not be placed on items if prohibited by standards or technical specifications.

In the event of the delivery of unmarked or improperly marked products, the customer (recipient) is entitled to mark them or to alter their marking at the supplier's expense or if this is not possible, to demand that the marking or the alteration of the markings be performed by the supplier. The supplier must comply with the customer's (recipient's) demand within 15 days unless otherwise specified by the parties. If this demand is not met by the supplier and if it is impossible to use or sell the product unless it is marked or its marking is altered, the customer (recipient) is entitled to refuse to accept the product.

51. Products that have not been properly verified for quality and products, the shipment of which is prohibited by state inspection organs responsible for the introduction and observance of standards, technical specifications and monitoring of quality or by other authorized agencies, may not be delivered. The prohibition on the shipment of products does not relieve the supplier (manufacturer) of the need to discharge his obligation to deliver the same kind of (good quality) products unless the customer refused to accept them.

52. The procedure and time limit on verifying the quality of products prior to acceptance are specified in instructions ratified by the State Board of Arbitration under the USSR Council of Ministers.

The procedure for verifying the quality of products prior to acceptance is carried out in accordance with rules operating in transport and communications.

VI. Packaging

53. Packaging must conform to the demands of standards or technical specifications. The numbers and indexes of standards and technical specifications regarding packaging are indicated in the contract.

If the demands that packaging must meet are not specified in the standards or technical specifications, they may be indicated in the contract. In the contract, the parties may specify that the packaging be of higher quality than indicated in the standards or technical specifications.

The packaging specified in the standards or technical specifications for certain types of products may, in accordance with the contract, be used for other types of products.

Packaging must be suitable for a given product and must ensure its integrity (both in terms of quantity and quality) in shipment and in storage.

Products shipped in containers [konteynery] need not be packaged unless otherwise indicated in standards, technical specifications or rules governing the shipment of certain types of freight.

In the event products, the price of which includes the cost of packaging, are shipped in unpackaged form (with the customer's consent) to shipping enterprises belonging to ministries, state committees and departments, the suppliers reimburse the customer for the packaging cost in amounts indicated in the price lists or in the special terms of delivery. If the price lists or the special terms of delivery do not specify the appropriate amount of the discount, it must be indicated in the contract.

Each package must be marked in accordance with the standards, technical specifications, price lists or the contract.

Each package shipped by rail, water or other mode of transport must also be specially marked in conformity with the shipping rules.

54. Reusable packaging and binding materials should be returned to the supplier (manufacturer) or to organizations that collect used packaging materials.

The procedure and deadline for returning packaging and binding materials and the liability for their late return and for the refusal to accept packaging and binding materials are defined in rules, in special terms of delivery or in the contract.

A deposit for packaging may be charged only in cases stipulated in price lists, special terms of delivery, or other rules binding on both parties.

A supplier who makes centralized deliveries must remove reusable packaging from the customer's premises unless otherwise specified in the special terms of delivery or other rules that are binding on the parties.

The cost of returning packaging and binding materials and of amortizing reusable packaging materials is borne by the supplier unless otherwise stipulated in special terms of delivery, other rules that are binding on the parties, or in the contract.

55. Suppliers (shippers) of bulk cargo must offer packaging if called for in rules that are binding on the parties or in the contract.

Procedures and deadlines governing the circulation of recyclable packaging in the national economy and the responsibility for its integrity and return are defined in a statute drafted by USSR Gosnab with the participation of USSR ministries, state committees and departments and ratified by USSR Gosnab and the State Board of Arbitration under the USSR Council of Ministers.

VII. Prices and Procedures for Settling Accounts

56. Prices on products and on packaging are established according to the legally constituted procedure.

The contract specifies a concrete price and indicates the appropriate number in the price list or other price ratification act, the date of ratification, and the ratifying agency. Price may also be indicated in the contract by references to a corresponding number in the price list or another pricing act.

In appropriate cases, the contract, in addition to indicating the price, may also establish markups and discounts in price and indicate the name of the agency ratifying them as well as the date of ratification.

If a temporary price or a price of limited duration is fixed on a product, the contract should specify the effective duration of the price.

With the consent of the parties, provision may be made for:

--one-time markups in wholesale prices for the performance of one-time customer demands to modify the batching [komplektatsiya] of equipment and instruments, to improve individual technical and economic indicators, and to establish longer warranty periods for products compared with the standards or technical specifications, if the price lists do not specify fixed markups for performing the given demands;

--fixing markups and discounts in wholesale prices contained in price lists when they contain the qualification that such markups or discounts are established with the agreement of the supplier and the customer.

The cost of packaging materials is borne by the customer (recipient) if the price list stipulates that this cost is paid in addition to the price of the product. Unless otherwise specified in the price list, the cost of packaging is borne by the supplier.

If the price changes during the effective period of the contract, the supplier must notify the customer of this fact the instant he learns of it.

Products shipped prior to the change in price are paid for in the price that existed at the time of shipment unless otherwise stipulated in the price revision act.

If rules binding on the parties specify that if goods are shipped through material-technical supply organizations, these organizations are to collect a surcharge from the customer, the contract specifies the amount of the surcharge and cites the act that ratifies it.

Terms of the contract on the delivery of products for prices other than those ratified under the established procedure are invalid and payments for products are made in properly ratified prices with the exception of cases in which the law empowers the parties to establish markups in ratified prices or to sell products for lower prices.

57. Accounts for products are usually settled directly between shippers and recipients.

A customer who is not a recipient participates in the settlement of accounts for products when such participation is authorized in decrees and resolutions of the USSR Council of Ministers, in instructions of USSR Gosbank or USSR Stroybank or in the special terms of delivery.

If in accordance with the binding rules, a material-technical supply organization that is not a party to the contract takes part in the settlement of accounts, it enjoys the rights and bears the liability of a contracting party insofar as the settlement of accounts are concerned.

Centralized payments for products are permitted in cases authorized by law.

Procedures and forms for settling accounts are determined in accordance with laws of the USSR. The parties must proceed from the fact that accounts involving deliveries to other cities are primarily settled on the basis of the acceptance [aktsept] of the supplier's (manufacturer's) demand for payment, while accounts for local deliveries received on the basis of acceptance-surrender documents are settled primarily on the basis of drafts, planned payments or checks drawn on limited or unlimited accounts.

If the shipping time to the recipient is less than 1 day, accounts with suppliers (shippers)--including shipments to other cities--accounts must be primarily settled by drafts submitted to bank institutions no later than the day following the receipt of the shipment by the recipient. In the case of regular and constant deliveries, accounts may be settled in the form of planned payments.

The letter of credit [akkreditivnaya forma raschetov] form of accounts is used:

a) when this form is specified by decrees and resolutions of the USSR Council of Ministers, instructions of USSR Gosbank and USSR Stroybank, special terms of delivery or a contract;

b) when the supplier converts the customer to this form of accounts in accordance with point 65 of the present Statute.

The procedure and form of accounts in the special terms of delivery must be coordinated with USSR Gosbank.

The contract specifies the kind of accounting or other documents the supplier (shipper) must send to the customer (recipient) and indicates the procedure and deadlines for sending these documents.

58. Under the letter of credit form of accounts, the payer has the right to reject a payment demand entirely if:

- a) payment demands are made for products that have not been ordered (or products not specified in a contract);
- b) goods are shipped to the wrong address;
- c) goods are delivered ahead of schedule without the consent of the customer;
- d) an entire shipment is documentarily identified as being of inferior quality or incomplete before the expiration of the acceptance deadline;
- e) the document certifying the quality of goods indicates that the goods are of lower quality than the quality specified and if the customer (recipient) refuses to accept these goods prior to the expiration of the acceptance deadline;
- f) prior to the expiration of the acceptance deadline, it is documented that unmarked or improperly marked goods have been delivered and if the goods consequently cannot be used or sold by the customer (recipient) and the latter does not have the possibility of marking the goods or of changing their marking;
- g) there is no ratified or properly coordinated price on the goods;
- h) the supplier submits a demand for payment for goods that have already been paid for;
- i) the supplier submits a payment demand for goods that have not been shipped or accepted by the customer;
- j) the goods are readdressed by the supplier in transit;
- k) the payment demand or the shipping document do not substantiate the prices on shipped goods.

59. Under the acceptance form of accounts, the payer has the right to refuse in part the acceptance of payment demands if:

- a) a shipment contains in addition to ordered goods, goods that were not ordered, or if the quantity of goods exceeds the quantity ordered;
- b) prior to the expiration of the deadline for acceptance, it is documented that some of the goods are of inferior quality or incomplete, that the packaging is of inferior quality, and that the grade (quality) of the goods is inferior to that specified in the shipping document;
- c) prior to the expiration of the acceptance deadline, it is documented that unmarked or improperly marked goods have been delivered and if the goods consequently cannot be used or sold by the customer (recipient) and the latter does not have the possibility of marking the goods or changing their marking;
- d) there is no ratified or properly coordinated price for some of the products;

- e) the payment demand includes unduly high prices on goods or packaging or if the payment demand includes improper surcharges;
- f) arithmetic errors are found in the payment demand or the shipping documents;
- g) payment demands are submitted for products that have in part already been paid for;
- h) the supplier submits a partial payment demand for goods not shipped, that includes the value of products not indicated as shipped in shipping, accompanying or acceptance-surrender documents;
- i) prior to the expiration of the acceptance deadline, it is documented that a shortage of goods is detected when they are accepted from the representative of the supplier (shipper);
- j) the payment demand or the shipping document fails to substantiate prices for part of the shipment.

60. The payer is entitled to refuse to accept a payment demand entirely or partially--in addition to the reasons cited in points 58 and 59 of the present Statute--for other reasons cited in the instructions of the USSR Gosbank and USSR Srobybank, in the special terms of delivery or in a contract.

The payer has the obligation to announce the reasons behind his refusal to accept a demand to the bank institution and the the supplier with 2 days in the case of local shipments and in 3 days in the case of shipments to other cities unless other periods are specified in decrees and resolutions of the USSR Council of Ministers, instructions of USSR Gosbank and USSR Srobybank.

In the event of the partial refusal to accept a payment demand the payer also has the obligation to send the supplier a detailed calculation substantiating the partial refusal (the product for which the payer refuses to pay, the grade for which unduly high prices are charged, etc.).

Under other forms of accounts than the acceptance form, the payer (customer) is entitled to refuse to pay entirely or partially in all cases when, in accordance with the present Statute, the payer (customer) has the right to refuse entirely or partially to accept or pay for products under the Statute, the basic terms of delivery, other binding rules, or the contract.

61. If a customer who is not the recipient participates in the settlement of accounts for products, the customer has the right (within 5 days of the submission of the recipient's refusal to accept a payment demand in the name of the customer to the bank institution) to refuse to accept the payment demand of the supplier under points 58 and 59 of the present Statute, on the basis of instructions of USSR Gosbank and USSR Srobybank, special terms of delivery or the contract.

62. If the customer is not the payer, if the payer refuses without proper reason to accept a payment demand, and if the payment for products is more than 20 days late (in cases when bank loans are not granted under the established procedure) or if he neglects to pay for products using other forms of settling

accounts (submission of letter of credit, submission of drafts to bank institution), the payer is entitled to demand that the customer pay for the goods under a procedure indicated in instructions of USSR Gosbank. In such cases, the customer pays--in addition to the cost of the products--a fine for the unfounded refusal to accept a payment demand or for the refusal to pay for goods and a late payment fine as stipulated in point 97 of the present Statute. Penalties and fines are included in the supplier's payment demand.

63. The customer must pay the supplier the cost of equipment, machinery and other physical assets classified as fixed capital delivered under contract using his own funds earmarked for this purpose or using bank loans.

In the event the customer does not pay the supplier for the indicated goods, a board of arbitration may order that the cost of these goods be paid from the customer's general capital construction allocations. If goods are not paid for at the fault of an organization that is higher ranking than the customer, the cost of the goods may be recovered from that organization's capital investment funds.

In the case of deliveries of packages of technological equipment, technological lines, installations, means of mechanization, automation, control and monitoring, accounts are settled for the delivery and installation of an equipment package as a whole.

64. When accounts are settled on the basis of letters of credit, the payer (customer) must submit a letter of credit no later than 5 days after the receipt of the supplier's demand.

In the demand for the submission of the letter of credit, the supplier must indicate the sum of the letter of credit, precise bank orders and the period for which it is granted within the period specified in USSR Gosbank instructions.

If the letter of credit is not submitted on schedule, the supplier does not bear responsibility for the nonutilization of the letter of credit or for the late delivery of products resulting from the late presentation of the letter of credit.

If within the scheduled delivery period the customer-payer does not submit the letter of credit, the supplier is entitled to sell the goods to other customers. In such cases, products distributed under a planning procedure are sold with the consent of the material-technical supply organ issuing the planning act for delivery. If another customer is not referred to the supplier within 30 days (within 10 days in the case of perishables), the supplier is entitled to sell the goods at his own discretion.

65. In case of regular refusals to accept the supplier's payment demands, regular delays in making payments and delays in issuing drafts or checks (at least 3 demands or 3 times in a given delivery period), the supplier is entitled to convert a systematically delinquent out-of-town payer to the letter credit form of payment for a period up to 3 months and to require a local delinquent payer to pay in advance according to the procedure specified in instructions issued by USSR Gosbank. In such cases and in cases of delays in payments for machinery and equipment due to financial control exercised by the bank, the supplier is

entitled to convert the customer's (payer's) goods to safekeeping. The obligation of the customer (payer) to the supplier with regard to goods in safekeeping is eliminated when the goods are paid for. The supplier must notify the customer of the conversion of the payer to the indicated forms of settling accounts if the payer is not a party to the contract.

66. In the event of payments for products, the quality and completeness of which do not conform to the standards, technical specifications, models (reference specimens) or contract, the customer (recipient) may (within 10 days of filing in the specified time an act of improper quality or of incompleteness of products) submit to the bank institution a request that excessive payments be deducted from the account of the manufacturer (supplier) when goods are not accepted.

The deduction of excessive payments envisaged in the present point from the account of the manufacturer (supplier) for rejected inferior or incomplete products is applied only when these products are received in the manufacturer's intact packaging from material-technical supply organizations.

If the accounts for goods are settled with a customer who is not the recipient, the customer is entitled to request the bank institution to deduct excessive payments for rejected goods from the manufacturer's (supplier's) account within 5 days of the receipt of the customer's request (by the bank institution serving the customer) that the appropriate sum for rejected goods be subtracted from the customer's account.

67. In the event of the supplier's systematic shipment (at least 3 times in succession) of goods of quality and grade not conforming to the contract (when this fact is noted in acceptance acts), the customer is entitled to pay their cost only after acceptance of the goods based on quality (within the acceptance deadline). The supplier and the appropriate bank institution must be notified in advance accordingly. Such a procedure for settling accounts can be instituted for a maximum period of 6 months.

If in the given instances, the customer does not convert the supplier to a system of payment after the goods are found to be of proper quality to guarantee their acceptance, such conversion may be effected by a bank institution.

VIII. Pecuniary Liability

68. For late shipments or incomplete shipments, the supplier must pay the customer a penalty of 8 percent of the cost of individual items in the mix (assortment) not delivered on schedule.

For late shipments or for incomplete shipments of equipment for startup projects and for late or incomplete shipments to regions of the Far North, to regions earmarked for ahead-of-schedule deliveries, or to seasonal enterprises during the harvesting and processing of perishables, for late and incomplete shipments to shipping enterprises belonging to USSR Gossnab and base enterprises and organizations belonging to USSR Goskomsel'khoshtekhnika, and products specified in interbranch cooperative shipment plans, the penalty is 1.5 fold.

The special terms of delivery may specify another penalty for late and incomplete shipments of experimental machinery and equipment and of custommade machinery and equipment.

If a material-technical supply organization acting in the capacity of supplier must pay a 1.5 fold penalty at the fault of a production association, enterprise or organization acting in the capacity of manufacturer, the manufacturer bears pecuniary liability to the material-technical supply organization in the same amount.

The penalty for the late or incomplete delivery of agricultural products is 3 percent of the cost of individual items in the mix (assortment) not delivered on schedule.

If the mix (assortment) is not specified in the contract, the penalty is levied against the total cost of products not delivered on schedule.

For late or incomplete shipments within the specified period, the supplier bears responsibility within the limits of the shipping plans ratified under the established procedure. The supplier is not freed of responsibility if he is to blame for the fact that the plan does not provide for sufficient means of transport or when this plan is curtailed due to circumstances depending on the supplier.

69. When the customer accepts for use products that are delivered without his advance written consent with violations of the mix (assortment), and products equal to the total value of the contract have been delivered, the supplier pays the customer a fine in the amount of 8 percent of the shortfall.

70. For each violation of the agreed-upon shipping (delivery) schedule, the supplier pays the customer a fine in the amount of 1 percent of the products not shipped (not delivered) on schedule unless other sanctions are indicated in the special terms of delivery or in the contract.

The indicated fine is paid irrespective of the payment of penalties for late and incomplete shipments.

71. In the event of the delivery of products not indicated in the contract without the consent of the customer or in violation of the terms of the contract, and also in the absence of contractual relations (point 43 of the present Statute), if the customer refuses to accept these products for use and gives them up for safekeeping, the supplier pays the customer a penalty of 3 percent and for perishables, 5 percent of the value of the rejected products.

72. If products are rejected not conforming in quality to the standards, technical specifications and ... (reference specimens), the customer (recipient) must refuse to accept and pay for products, must collect from the manufacturer (supplier) a fine in the amount of 20 percent of the value of the rejected products and if the products are already paid for, must also demand the return of the given sums under the established procedure.

If products are rejected, the manufacturer (supplier) must within 10 days of acknowledgement of the demand of the customer (recipient) replace the rejected products and dispose of them and in the case of perishable products must dispose of said products within 24 hours of the notification.

If the manufacturer (supplier) fails to dispose of the rejected products within the specified period of time, the customer (recipient) is entitled to sell them on the spot or to return them to the manufacturer (supplier). In all cases, perishable products must be sold on the spot.

The penalty envisaged in the present point for the delivery of products rejected as being of inferior quality is levied against the manufacturer or in cases stipulated in the special terms of delivery, against the supplier. The request to deduct the penalty for rejected goods is submitted to the bank institution within 10 days of the compilation of the act attesting to inferior product quality within the specified time limits.

73. In the event of the detection of production flaws in delivered products that can be corrected on the spot, the customer (recipient) may:

a) correct the flaws at the expense of the manufacturer (supplier) or demand the elimination of the flaws by the manufacture (supplier) where the products are located;

b) refuse to pay for the products until the flaws are corrected or, if the products are already paid for, demand the return of the paid sums under the established procedure.

In addition, the manufacturer (supplier) pays the customer (recipient) in the sum of 5 percent of the value of these products.

If the customer (recipient) demands that the flaws be corrected by the manufacturer (supplier), the manufacturer (supplier) must correct the flaws with 15 days of the receipt of the demand of the customer (recipient) that the given flaws be corrected unless another period be fixed in the special terms of delivery, standards, technical specifications, or the agreement of the parties.

If the manufacturer (supplier) does not eliminate the flaws in the established period, he must pay the customer (recipient) a fine in the amount of 20 percent of the value of the products in which the flaws have not been corrected. At the same time, the customer (recipient) has the right to refuse to accept the products and to demand their replacement.

74. If delivered products conform to the standards or technical specifications but do not meet the higher demands for quality specified in the contract, the customer (recipient) may pay for the products in a price that does not include the markup for higher quality or may refuse to accept and pay for such products. The customer (recipient) may also exact from the manufacturer (supplier) a fine in the amount specified in the contract.

If products in the highest quality category are rejected as not conforming to the standards, technical specifications, models (reference specimens), the customer (recipient) has the obligation to refuse to accept and pay for products, must exact a fine from the manufacturer (supplier) in the sum of 30 percent of the value of the rejected products or if the products are already paid for, must also demand the return of the paid sums under the established procedure.

If products in the highest quality category are converted to a lower quality category, the manufacturer (supplier) must pay the customer (recipient) a fine in the amount of 300 percent of the price reduction but not more than 30 percent of the value of the products prior to the price reduction. In such a case, the customer (recipient) pays for the products according to the list price for products of corresponding quality.

75. In the event design flaws are detected in products delivered as industrial prototypes (lots), in custommade machines and equipment, i. e., machines and equipment manufactured in limited quantity on the basis of individual orders on the basis of normative technical documentation coordinated with clients (customers) or their higher organs, the manufacturer (supplier) has the obligation to eliminate flaws with his own resources and at his own expense in the shortest possible time fixed with the agreement of the parties. Fines stipulated in points 72 and 73 of the present Statute are not invoked in the case of the delivery of such products.

If the design flaws are not eliminated in this period of time, the customer (recipient) requests a fine in the amount of 8 percent of the value of the products.

If it is not technically possible to eliminate the design flaws, the customer (recipient) returns the products to the manufacturer (supplier) and the latter, in addition to paying the indicated penalty, must return the sums paid for them.

If the manufacturer (supplier) and customer (recipient) disagree on whether the flaws are design flaws or production flaws and on the party responsible for them, if the parties so agree, the disagreement is within 10 days submitted for the consideration of an appropriate scientific research institute or experts.

The manufacturer (supplier) bears responsibility for the delivery of series-produced products with design flaws in amounts and under procedures indicated in point 73 of the present Statute.

76. For the delivery of products, the delivery of which is prohibited by state agencies that monitor the introduction and observance of standards and technical specifications and that monitor product quality or by other duly authorized agencies (point 51 of the present Statute), the manufacturer (supplier) must at the request of the given agencies pay a fine in the amount of 50 percent of the value of these products to the union budget.

77. In the event of the delivery of incomplete products (point 47 of the present Statute), the customer (recipient) must:

a) supply the missing products. The manufacturer (supplier) must supply the missing products within 15 days of the receipt of the customer's (recipient's) demand unless another period is established by the parties;

b) refuse to pay for the products until their delivery is complete or, if the products are already paid for, demand the return of sums paid under the established procedure;

c) demand that the manufacturer (supplier) pay a fine in the amount of 20 percent of the value of the missing products including the value of the missing parts.

If the manufacturer (supplier) fails to deliver the missing products within the specified period, the customer (recipient) is entitled to return the incomplete product and demand that the incomplete product be replaced by a complete product.

78. If the delivered product is of a lower grade (quality) than indicated in the document certifying the quality of the product but corresponds to the standards, technical specifications, models (reference specimens), the customer (recipient) has the right to refuse to pay for and accept products or if they are already paid for, to demand the return of sums paid under the established procedure or to accept products at the price indicated in the price list for products of the corresponding grade (quality).

The manufacturer (supplier) must also pay the customer (recipient) a fine in the amount of 200 percent of the price reduction but not more than 20 percent of its value before the reduction.

79. For incomplete deliveries (point 48 of the present Statute), the supplier pays the customer a fine in the amount of 2.5 percent of the value of all items included in the complete shipment.

The special delivery terms may specify a fine in another amount depending on the complexity of the equipment package.

80. For the delivery of products contrary to the requirements of standards, technical specifications or the contract in the form of unmarked or improperly marked products, of unpackaged products, or of improperly packaged products, the manufacturer (supplier) must pay the customer (recipient) a fine in the sum of 5 percent of the value of such products.

If products are to be shipped or stored further, the customer (recipient), in addition to collecting a fine, is entitled to package the products at the expense of the manufacturer (supplier) or to demand that the local manufacturer (supplier) package the products.

81. For the delivery of products in unmarked or improperly marked packaging, the manufacturer (supplier) pays the customer (recipient) a fine in the amount of 25 percent of the value of the unmarked or improperly marked packaging.

82. For the delivery of products not accompanied by the quality certification documents indicated in the special terms of delivery or the contract (point 49 of the present Statute), the manufacturer (supplier) must pay the customer (recipient) a fine in the sum of 25 rubles for every such delivery.

83. Products of inferior quality, incomplete products, unmarked products, and improperly marked products not accepted by the customer (recipient) are not counted toward the fulfillment of commitments under the contract. Unless the customer does not desire the replacement of such products, they must be replaced with quality products, complete products and properly marked products in the current delivery period or in another period of time agreed upon by the parties.
84. If a fine is invoked for the delivery of products rejected as not corresponding to the corresponding standards, technical specifications, or models (reference specimens), or if a fine is invoked for the delivery of products of a lower grade (quality) in the event of the refusal to accept them (points 72, 74, and 78 of the present Statute), fines are not charged for incomplete shipments, for unmarked or improperly marked products and packaging or for the delivery of these products in improper packaging.
85. For delays in excess of the deadlines for disposing of products accepted for safekeeping by the customer (recipient), the supplier pays the customer (recipient) a fine in the sum of 0.2 percent of the value of the products for each day of delay but not more than 5 percent of their value.
86. In the event of the nonutilization of the letter of credit issued at the demand of the supplier, during the effective period of the letter, the supplier pays the customer (payer) a fine in the amount of 5 percent of the unused sum of the letter of credit.
87. For the failure to send copies of a payment demand and shipping documents for shipped products within the specified period or for the failure to submit other information on shipping (point 41 of the present Statute), the supplier (shipper) pays the customer, and in the appropriate cases, the Gosplan of a union republic or the USSR Gosplan main territorial administration, a fine in the sum of 10 rubles for every failure to send a payment demand or a shipping document or a fine of 25 rubles for each failure to submit the information.
88. For shipping (releasing) products distributed under a planning procedure to a customer (recipient) not authorized to receive given products and for the utilization of products for own needs in excess of the allocated purchase permits, the manufacturer (supplier) must pay the material-technical supply organ a fine of between 25 and 100 percent of the value of these products except in cases in which the law gives the manufacturer (supplier) the right to sell these products at his own discretion.
89. For the violation of priorities and shipping schedules (point 37 of the present Statute), the manufacturer (supplier) must at the request of the material-technical supply organ pay a fine of 50 percent of the cost of products shipped in violation of these priorities and schedules. The given fine is paid to the union budget.
90. For the late submission of data on the distribution of purchase permits among customers to the material-technical supply organ issuing planning acts for the delivery of products, ministries, state committees, departments, and other purchase permit holders in the person of organs enjoying cost accounting rights must pay the material-technical supply organ a fine in the sum of 50 rubles for every day of delay but no more than 500 rubles.
91. In the event of the nonissuance or late issuance of a planning act for the delivery of products, which serves as the basis for concluding a contract, to the

supplier and the customer, the material-technical supply organ issuing the given acts must pay the supplier and the customer a fine of 50 rubles for each day of delay but not more than 500 rubles for each type of product.

In the event of the nonissuance or late issuance of group vouchers, the material-technical supply organ issuing group vouchers must pay the supplier and the purchase permit holder or the gossnab of a union republic, or the USSR Gossnab main territorial administration (point 11 of the present Statute) a fine of 50 rubles for each day of delay but no more than 500 rubles for each type of product.

92. For delays in concluding contracts or for the unjustified refusal to conclude a contract, the guilty party must pay the other party a fine of 100 rubles for each day of delay but not more than 1000 rubles.

93. If the contract calls upon the supplier or the customer to submit specifications and technical characteristics or a detailed mix (assortment) of the products, the nonsubmission or late submission of them entail the payment of a fine in the amount of 2 percent of the value of the products for which the specifications have not been submitted or have been submitted late.

94. In the event the planning act for the delivery of products or the announcement of its modification is returned to the issuing organ, the supplier must pay this organ a fine of 250 rubles for each such instance.

95. For the late submission of shipping counter-vouchers (point 33 of the present Statute), the customer pays the supplier a fine of 25 rubles for each day of delay but no more than 250 rubles.

In the event the customer is late in submitting to the supplier a shipping counter-vouchers, the supplier is entitled to demand payment for the cost of products for which the customer has not issued a counter-voucher and to guarantee the availability of these products instead of collecting a fine for the late submission of a counter-voucher.

96. For the nonacceptance [nevyborka] of products and for the unsubstantiated refusal to accept products when delivered by the supplier within the period specified in the contract, the customer must pay the supplier a fine of 5 percent of the value of the unaccepted products (not received on schedule).

This fine is not invoked against the customer if he in accordance with point 31 of the present Statute had the right under the established procedure to refuse to accept the products unilaterally.

In the event of the nonacceptance of products (unsubstantiated refusal to accept), the supplier--in addition to collecting a fine--is entitled to demand payment of the cost of unaccepted products (not received on schedule) and must guarantee the availability of these products.

In the event of the total or partial refusal of the customer to accept special products ordered by him, the customer is obligated to pay the supplier (manufacturer) the cost of the part of the order that has been filled or is in the process of being filled at the time of refusal and to pay the supplier's costs incurred in technological preparations for production with the exception of cases in which the refusal to accept these items was the fault of the supplier (manufacturer).

97. For the unsubstantiated complete or partial refusal to accept a payment demand and for refusing to pay for products under other forms of settlement of accounts (nonpresentation of letters of credit, nonissuance of checks, non-submission of drafts to bank institutions), the customer (payer) must pay the supplier a fine of 5 percent of the sum which he has refused to pay.

For the late payment for delivered products, the customer (payer) pays the supplier a fine of 0.04 percent of the defaulted payment for each day of default. The fine is raised by 50 percent for late payments for equipment in connection with the customer's nonfulfillment of demands stipulated in the rules governing the financing of construction.

98. In the event the supplier or customer fails to return excess funds received from the settlement of accounts for products (from double payments for the same products, the incorrect revision of prices of products, the payment of accounting documents for goods not shipped, etc.), the guilty party pays the other party 5 percent annual interest for the entire period of use of this money.

Interest is not computed for claims for payment of fines and penalties.

99. For the unsubstantiated deduction of rejected goods from the accounts, the guilty party pays the other party 5 percent of the improperly deducted sum.

100. In the event the customer (recipient) fails to carry out the demand of the supplier (shipper) to ship (release) products accepted for safekeeping and in the event of the use of these products before they are paid for, the customer (recipient) must pay the supplier a fine of 8 percent of the value of products used without payment or not shipped (or released) at the demand of the supplier.

101. For the violation of obligations stipulated in the special terms of delivery as a supplement to the obligations specified in the present statute, penalties (fines) may be stipulated in the special terms of delivery.

The contract may indicate sanctions for the nonperformance or improper performance of obligations, for the violation of which the law has not specified sanctions.

Parties to the contract--in the absence of the agreement of both parties--are entitled to increase the sanctions imposed for the violation of the terms of the contract stipulated in the present Statute with the exception of penalties for late payments. In the event agreement is not reached, penalties (fines) are imposed in amounts indicated in the present Statute and in the special terms of delivery.

Agreements to limit the liability of the parties are not permitted if the measure of liability is precisely defined by law.

In exceptional cases, arbitration organs are empowered to reduce the amount of the penalty (fine) to be invoked against the party violating the obligations.

Arbitration organs are also empowered to invoke a penalty against the party grossly violating obligations, including the failure to adopt measures to avert or reduce

damage resulting from the improper performance of obligations (point 3 of the present Statute) up to 50 percent which is paid into the union budget.

In the event the customer does not demand that the supplier pay a penalty for the late delivery of products or for incomplete deliveries, the penalty is to be paid to the union budget. Such a fine may be invoked before the expiration of the time specified for filing claims against the supplier at the request of the appropriate organs of USSR Gosnab which is responsible for monitoring the delivery of products or by arbitration organs at their own initiative. In such a case, upon ascertaining the lack of substantiation for the customer's refusal to invoke a penalty, the arbitration organs exact this penalty to be paid into the state budget in the sum of 2 percent of the value of the shortfall in the delivery.

102. The liability of material-technical supply organizations and other suppliers to claims by customers stemming from deliveries of imported goods is limited to sums which under the established procedure can be recovered from foreign firms with the exception of cases in which the improper performance of obligations has been the fault of these suppliers.

103. Sanctions envisaged in the present Statute are computed on the basis of prices used in settling accounts with customers. Sanctions may be computed on the basis of average prices ratified by a ministry, state committee or department of the USSR acting in the capacity of major supplier in agreement with the appropriate soyuzglavsnabbyt under USSR Gosnab. If average prices have not been ratified, they may be specified in the contract.

104. Irrespective of the payment of a penalty (fine), the party violating a contract compensates the other party for damage not covered by the penalty (fine).

Damages include costs borne by a party in connection with the nonperformance or improper performance of obligations, the loss or damage of property, the shortfall in income that would otherwise be realized if the obligations were fulfilled by the other party.

In the event of the delivery of inferior or incomplete products, the manufacturer (supplier) must pay the customer (recipient) an established penalty (fine) and must in addition compensate him for losses caused by such delivery not counting the penalty (fine).

The payment of a penalty (fine) for the late or improper performance of an obligation and the compensation of losses caused by the improper performance of an obligation do not relieve a party of the need to fulfill the obligation except for cases specified in law.

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